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PARIS, MONDAY, SEPTEMBER 14, 1987

ESTABLISHED 1887

Reagan Rejects Pentagon View Territory Votes for France

By R. Jeffrey Smith... WASHINGTON — Despite an impassioned private appeal from Defense Secretary Caspar W. Weinberger, President Ronald Reagan has rejected the Pentagon position on U.S.-Soviet arms control negotiations...



UN Official Meets With Iranian President... Javier Pérez de Cuellar, the UN secretary-general, met with President Ali Khamenei of Iran on Sunday before flying to Iraq on his mission to persuade both sides to accept a United Nations Security Council resolution on a cease-fire in the Gulf war.

Election Setback For Kohl

Party's Losses in 2 States Follow Reversals in May... Bonn — Chancellor Helmut Kohl's Christian Democratic Union suffered sharp losses in two state elections Sunday, marking the conservative party's second electoral setback in four months.

Shevardnadze Arrives In U.S. for Talks on Pact

By Don Oberdorfer... WASHINGTON — The Soviet foreign minister, Eduard A. Shevardnadze, arrived Sunday to discuss final details of an arms accord with Secretary of State George P. Shultz, who expressed optimism that a much-discussed outstanding issue can be resolved.

But Critics See Little Settled in New Caledonia

By Edward Cody... PARIS — New Caledonia voted overwhelmingly on Sunday to remain a French territory. But critics said the vote in the Pacific island territory settled little and could lead to more ethnic violence.

Finance Ministers Strengthen Policy On European Currency Intervention

Revers... NYBORG, Denmark — European Community finance ministers, in a decision with important implications for currency markets, have agreed to increase cooperation to limit turbulence in European foreign exchange rates.

Reagan Faults Latin Plan

Neil A. Lewis of The New York Times reported from Washington... Mr. Reagan strongly criticized the Central American peace plan adopted by five nations of the region. He also said the plan did not

Robertson Beats Bush in Iowa Straw Poll

By E.J. Dionne Jr... AMES, Iowa — What was billed as the first real face-off among Republican presidential candidates has turned into a triumph for the Reverend Pat Robertson, who brought hundreds of supporters to a sports arena here and defeated all the Republican presidential contenders in a straw poll.

On the Champs-Élysées, Paradise Lost

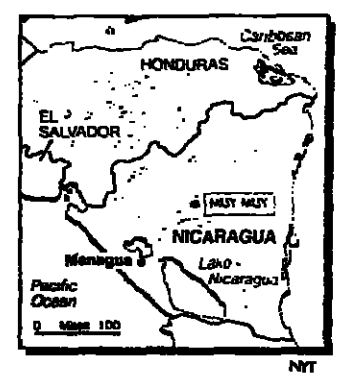
Idle Youths, Tourist Throngs Change Avenue's Image... By Julian Nundy... PARIS — The fight started when a leather-jacketed youth crossing the street kicked the side of a car that, he thought, had passed too close.

Contras Said to Gain Nicaragua Foothold

By Stephen Kinzer... MUY MUY, Nicaragua — Guerrillas backed by the United States have established a foothold here in central Nicaragua, residents of the area say.

Reagan Faults Latin Plan

Neil A. Lewis of The New York Times reported from Washington... Mr. Reagan strongly criticized the Central American peace plan adopted by five nations of the region. He also said the plan did not



Kiosk Moscow Allows Goldfarb Visit

NEW YORK (Reuters) — Soviet authorities have told the daughter of David Goldfarb, a Soviet dissident, that she can leave Moscow to visit her sick father in New York, her brother said Sunday.

Martina Navratilova beat Steffi Graf for the U.S. Open women's championship.

The Lendl-Wilander match for the men's title was postponed until Monday because of rain. Page 17.

General News

Yugoslavia expelled 42 Communist Party members and its vice president resigned over a financial scandal. Page 2. Pope John Paul II in Texas, urged aid for Central American refugees. Page 3.

Sports

Cincinnati edged Indianapolis in an NFL opener. Page 17.

Business/Finance

The IMF predicted economic growth of 2.6 percent in industrial countries in 1988. Page 7.

Personal Investing

The drama unfolding in European publishing are symptomatic of changes that excite investors. Pages 9-12.



A stroller's view up Paris's most famous avenue, on the way to the Arc de Triomphe.

DISCO LEARN... INTERNATIONALE EDUCATION DIRECTOR... Various small advertisements and notices.

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Yugoslavia Expels Party Members as Official Quits

BELGRADE — Yugoslavia's Communist Party has expelled 42 members, and 28 others face criminal proceedings over a financial scandal, the official news agency Tanjug said Sunday.

The expulsions and Mr. Pozderac's departure after being implicated in the affair reinforced diplomats' impressions that Yugoslavia was signaling tougher management of its wayward economy.

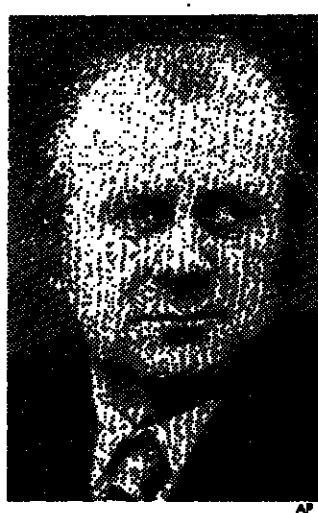
Western diplomats said the moves should please Western creditors and the International Monetary Fund, which is to meet Yugoslav officials soon to discuss long-term adjustment of the country's foreign debt, estimated at nearly \$20 billion. [Page 7.]

Mr. Pozderac, 64, submitted his resignation to the Communist Party leadership in his home republic, Bosnia-Herzegovina, Tanjug said.

His resignation leaves Yugoslavia with a constitutional dilemma about his replacement and with many questions unanswered about the scope of the scandal, in which as much as \$865 million worth of unbacked promissory notes were issued by Agrokomer, a Bosnian agricultural-industrial company.

Mr. Pozderac was to become Yugoslavia's president in May. The posts of president and vice president rotate annually among eight representatives from Yugoslavia's six republics and two autonomous provinces.

A statement by the Bosnian Communist Party branch leadership said Mr. Pozderac decided to resign "after a thorough examination of all the elements of the political situation created with the Agrokomer case."



Hamdija Pozderac

Mr. Pozderac and his brother Hakijski, 68, were named by Agrokomer's chief executive, Fikret Abdic, as having backed his actions. Mr. Abdic was detained last week along with eight others involved in the scandal, and Yugoslavia's state-controlled press called for action against the Pozderacs and other politicians suspected of involvement. The State Auditing Office, a watchdog body that has no judicial power, has called for the arrests of 92 officials of Agrokomer and creditor banks.

The scandal caused nationwide outrage, unleashed a press crusade against financial malpractice and severely destabilized an already weak banking system.

In July, Yugoslavia missed payments of \$245 million on its debt. The payments were postponed until this month. Now it faces hard bargaining with its creditors.

The International Monetary Fund, frustrated by the government's inability to control annual inflation of 116 percent and runaway growth of the money supply, has long demanded curbs on "grey emissions" in the Yugoslav economy, as false promissory notes and other practices are known.

After Honecker's Visit, Raised Hopes in Bonn

By Robert J. McCartney

BONN — The two Germanys have agreed on the broad outline of a long-term agenda for gradually lowering the political, psychological and physical barriers that have divided them since the onset of the Cold War.

The landmark visit to West Germany last week by the East German chief of state, Erich Honecker, laid a diplomatic foundation for what could become the most substantial improvement in inter-German relations since former Chancellor Willy Brandt's Oষণপলিক policy in the early 1970s.

Mr. Honecker and Chancellor Helmut Kohl achieved a tentative consensus on how to handle the two most emotionally charged issues: East Germany's closed border and reunification.

On the border, they signed a communique obliging East Germany to ease its travel restrictions. They also agreed to have agreed that such a relaxation could ultimately lead to a situation in which East Germany border guards would no longer shoot at citizens trying to reach the West.

That was the message implicit in Mr. Honecker's statement Thursday that the border was not as it "should be" and that it could become a normal one if the two Germanys continued the "peaceful cooperation" begun during his trip.

It was a dramatic statement, though carefully hedged, from the 75-year-old Communist leader, who supervised the construction of the Berlin Wall in 1961.

The West German government, politicians and news media commentators unanimously welcomed the "utopian" hopes regarding the border, but they strongly welcomed Mr. Honecker's declaration as an important signal of progress toward abolishing the bitterly resented Schliessebefehl, or "order to shoot."

"Expectations have been raised more than was expected," an editorial in the Munich daily newspaper Süddeutsche Zeitung said Saturday.

On reunification, which Bonn wants and East Berlin opposes, Mr. Kohl conceded that the issue "is at present not on the agenda of world history."

More importantly, he welcomed Mr. Honecker with all of the pomp normally granted to a visiting foreign head of government.

West Germany had never before honored an East German leader in that way, because Bonn officially maintains that East Germany is not a foreign country but a separate "state" in a German "nation" that someday will be reunited.

Three bilateral agreements were signed in addition to the communiqué, and together they clear the way for a small but discernible jump in cooperation in diplomacy, science, trade, sports and cultural affairs.

"considerable," and he expressed optimism that "this will become clearer in the coming months." He said that progress had been achieved "to ease the painful consequences of the division of our fatherland."

Mr. Honecker said in a departure statement Friday that there had been "a row of positive results." He said that East Germany would show "the necessary good will, realism and judgment" to ensure continued progress.

The inter-German thaw is risky for both sides, and it could easily be chilled, according to Bonn officials, diplomats and other observers.

In particular, a downturn in U.S.-Soviet relations would force the two Germanys to back off. Historically, Bonn and East Berlin have been able to move closer together only when the overall East-West relationship is relatively relaxed.

Moreover, there is no guarantee that East Germany will follow through in a significant way on its commitment to relax travel restrictions. It will be able to do so only if the leadership believes that the economy is sufficiently strong to keep large numbers of people from emigrating.

The leadership will have to move cautiously to avoid raising expectations at home to the point at which they become destabilizing. The attractiveness of Mikhail S. Gorbachev's reform program in the Soviet Union has already contributed to a modest spurt of unauthorized demonstrations in East Berlin in recent months.

For West Germany, its flirtation with the East could tug it away from the Western alliance in subtle ways. For instance, an increase in inter-German trade could run afoul of restrictions on technology exports to the East bloc.

The improvement in relations will be sustained in coming months only if there is progress on conditions at the border.

Bonn government sources privately expressed the hope that East German border guards had already been told to hold their fire, except if other guards or soldiers sought to escape.

Mr. Honecker's statement on the border was couched ambiguously. He said that the inter-German border could someday become like the East German-Polish one.

In order to make a private visit to Poland, East Germans require a notarized invitation from a Pole.

But as a West German government spokesman, Friedhelm Ost, said in welcoming Mr. Honecker's statement, "There is no shooting at the border between East Germany and Poland."

68 Executed in U.S. Since '77



Bishop David Russell, right, speaking to a major in the Ciskei police during a memorial service for Steve Biko.

Biko Death Anniversary Is Marked by Activists

United Press International

JOHANNESBURG — Archbishop Desmond M. Tutu and black activists have paid tribute to Steve Biko, the black dissident who died in police custody 10 years ago.

The unveiling of a plaque at Mr. Biko's grave in the township of Ginsberg, on the southeastern Cape Province seaboard, was earlier, 200 followers of the Azanian People's Organization, or AZAPO, gathered at a community center in Ginsberg, Mr. Biko's hometown, to commemorate his death on Sept. 12, 1977, from unexplained head wounds sustained during police interrogation in a jail cell.

Archbishop Tutu, who was visiting South-West Africa, or Namibia, sent a message to the meeting, praising Mr. Biko as "a man of his time who is assured of a place in history."

"Had he lived today, he would have said unity is the way to knock off the shackles of oppression," the Anglican church leader said.

Mr. Biko, 30, a proponent of nonviolent "black consciousness," was arrested in King Williams Town in the eastern Cape on Aug. 18, 1977. He was taken to nearby Port Elizabeth on Sept. 6 for questioning.

Testimony at an official inquiry into his death revealed that Mr. Biko had been left alone, naked and manacled, on a grass mat on the stone floor of a Port Elizabeth police cell after being hurt during interrogation.

On Sept. 11 he was driven, semi-conscious and still naked, in the back of a police truck more than 700 miles (1,130 kilometers) to Pretoria, where he died the next day of brain damage.

banned under the terms of the state of emergency decree issued 15 months ago, according to a black activist spokesman.

Later, however, at a church nearby in the nominally independent black homeland of Ciskei, policemen joined a commemorative service and took communion with the other participants, including Mr. Biko's widow, Nontsikelo.

"I have never seen anything like it before," one participant said.

Witnesses said about 30 black police officers entered the church, where the Anglican bishop of Grahamstown, David Russell, was evangelizing Mr. Biko.

Bishop Russell asked the policemen to disarm. They refused, but made no attempt to halt the service. Witnesses said the men and their chief joined in the hymn singing and took communion.

WORLD BRIEFS

Israel Detains Prominent Palestinian

JERUSALEM (WP) — A man widely considered to be a top leader of the Palestinian nationalist movement in the Israeli-occupied territories, has been detained without charge for the third time in the past six months, an action denounced by Israeli and Palestinian human rights activists.

Faisal Hussein, the chairman of the nonprofit Arab Studies Society and a noted political activist, was arrested late Saturday by agents of Shin Bet, the Israeli internal security service, who surrounded his home in Arab East Jerusalem, according to a spokesman for the society, Mr. Hussein, 47, is a son of one of Jerusalem's oldest and most politically influential clans.

The Israeli authorities have said that Mr. Hussein is the chief operative and spokesman in the West Bank for el-Fatah, the dominant wing of the Palestine Liberation Organization, which is outlawed in Israel as a terrorist organization. Mr. Hussein has long denied any involvement in illegal activities.

France Redeploys Chad Air Defenses

PARIS (Reuters) — Defense Minister André Giraud said in an interview published Sunday that France was moving its air defense force in Chad toward the north of the country.

Mr. Giraud ruled out sending any more troops to the former French colony to support President Hissène Habré in his border clash with Libya. France has 1,200 men, mainly around the capital, Ndjamena, providing air cover and logistical support for Mr. Habré's troops.

"There is no question of sending a single extra soldier" to Chad, Mr. Giraud told the weekly newspaper Journal du Dimanche.

Baltic Dissenters to Coordinate Action

STOCKHOLM (IHT) — Human rights activists who organized demonstrations in Estonia, Latvia and Lithuania last month are forming a council to coordinate future actions in all three of the Soviet Baltic republics, according to Titi Madisson, who led a march in Tallinn.

Mr. Madisson, 37, a construction worker, was forced to emigrate to Sweden on Saturday with his wife and 12-year-old son. Officials of the KGB security police had told him "you can either go west or east, and east means Siberia," he said at an airport press conference.

The unofficial Baltic groups that will be represented in the coordinating council are the Estonian Group for Full Disclosure of the Molotov-Ribbentrop Pact, Helsinki '86 of Latvia, and an ad hoc group of former Lithuanian political prisoners. Nationalists from all three Baltic states previously have signed joint appeals on various issues, such as a nuclear-free zone in the Baltic.

Waldheim Boomed at Austrian Festival

LINZ, Austria (Reuters) — Boos and whistles met President Kurt Waldheim at the opening of a music festival on Sunday in a ceremony carried on Austrian television news.

Demonstrators who generated tight security at a concert hall where the festival was held displayed banners that read "We need an antifascist" and showered leaflets from the gallery. Mr. Waldheim has been accused by Jewish groups of involvement in Nazi war crimes. The former-United Nations secretary-general denies the allegations.

European Accord on Car Phones Set

BRUSSELS (Reuters) — Thirteen West European countries have signed an agreement allowing international calls to be made from car telephones by 1991, the Belgian Telecommunications Ministry has announced.

The ministry said Friday that the accord was signed last week by all European Community countries except Greece and Luxembourg, as well as Finland, Norway and Sweden. It will provide for a common frequency and other standard features for mobile radiotelephones.

The Saint Gotthard Tunnel in Switzerland opened to freight traffic Saturday and passenger train traffic Sunday for the first time since floods closed the route in late August. (Reuters)

This Week's Holidays

Banks and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Nicaragua. TUESDAY: Costa Rica, El Salvador, Guatemala, Honduras, Japan, Nicaragua. WEDNESDAY: Mexico. THURSDAY: Angola. FRIDAY: Burundi, Chile. SATURDAY: Chile.

Source: Morgan Guaranty Trust Co., Reuters.

Communists Are Ousted From Philippine Village

MANILA — Government troops have dislodged Communist rebels entrenched in a village near Manila after fighting in which more than 30 persons were reportedly killed, the army said Sunday.

Major Vidal Quirol said that troops and about 40 guerrillas fought for 10 hours Saturday in the rebel stronghold of San Juan, in Bataan Province, 35 miles (60 kilometers) west of Manila.

Major Quirol said the rebels had fled and were being hunted. "This is the kind of victory President Aquino had asked for when she called on her army to give her a string of honorable victories," he said in an interview.

Major Quirol, regional operations chief, said the dead included six soldiers. San Juan has been under rebel control for years. Communist forces paraded with their guns there when a 60-day cease-fire took effect in December.

In Manila, at a rally Sunday of 30,000 young people, supporters of President Corason C. Aquino called on Filipinos to defend her against another coup attempt by dissident military officers.

The backers sought to renew "people power," a mass outpouring of Filipinos into the streets that helped sweep her into office last year. "Let us all unite, link arms and tell our enemies that we will not allow them to take away the freedom and democracy we worked very hard for," Senator Joey Linza told university students at the rally in a central park.

After the government supporters dispersed, 1,000 people, mostly backers of former President Ferdinand E. Marcos, occupied the same park.

Some Fear Malaysia Plans to Curb Judges' Authority

By Michael Richardson

KUALA LUMPUR, Malaysia — Senior Malaysian officials have sharply criticized judges for allegedly meddling in politics, prompting civil rights advocates here to warn that the government may be planning to introduce legislation to curb the authority of the judiciary.

Mahathir bin Mohamad, the prime minister, spoke out twice on the issue last week. He asserted that certain judges had voiced their views on political issues outside the courtroom.

He said that this was "against the system of parliamentary democracy" and would result in people losing confidence in the judiciary.

Analysts said the controversy reflected a fundamental divergence between the government and senior judges over the proper role of the judiciary in a multiracial and multireligious developing nation.

Param Kumaraswamy, a rights advocate and the chairman of the Malaysian Bar Council, an association of lawyers, said in an interview that he believed the judiciary was acting correctly "to see that individual rights are not eroded by executive actions which the govern-

ment maintains are being undertaken for state or national interests."

He said that judges had the right to interpret the law and comment on the constitution.

Mr. Kumaraswamy said he was concerned that the government might use its more than two-thirds majority in parliament to pass legislation or amend the constitution to prevent courts from reviewing or "wrongly interpreting" legislative acts and ministerial decisions.

He noted that in an interview in November 1986, Mr. Mahathir had declared: "If we find out that a court always throws us out on its own interpretation, if it interprets contrary to why we made the law, then we will have to find a way of producing a law that will have to be interpreted according to our wish."

Tan Chee Khoo, a respected political columnist, wrote recently that over the years the executive arm of the Malaysian government had accumulated increasing power at the expense of the legislature and judiciary.

The government, he said, had become "so all-powerful that it can brush aside all attempts at criticism." However, Mr. Mahathir asserted

that some members of the judiciary were encroaching into areas reserved for the government and parliament.

He and several other cabinet members said their criticism was prompted by recent calls for a review of parts of the 1957 constitution.

Prime Minister Mahathir bin Mohamad says judges' comments on political issues violate the parliamentary system.

tion by some serving and retired judges.

Justice Harun Hashim, a High Court judge, suggested that the prime minister's power to declare a state of emergency should be subject to annual parliamentary approval, and that the procedures for choosing members of the Senate and holding general elections be changed.

Sultan Azlan Muhibuddin Shah, a former lord president of the

Supreme Court, proposed that individuals and organizations be invited to submit their views on amendments to the constitution.

"Such a move," he said, "would release much of the tension within our society and channel popular energies into fruitful and constructive channels."

Mr. Mahathir, who made himself justice minister in a cabinet shuffle in May, said that the call for a review of the constitution was extremely dangerous and could create uncontrollable tension in Malaysia.

It would, he contended, open the door to contentious challenges to racial, religious, linguistic and citizenship rights contained in the constitution.

Analysts said that while government leaders professed to be gravely concerned over the implications of a constitutional review, the propensity of the High Court and the Supreme Court to rule against the executive in politically significant cases also was a major factor behind the official criticism of the judiciary.

For example, the High Court quashed earlier this month a government decision not to allow Aliran, a Malaysian civil rights group that is frequently critical of official policies, to publish a magazine in the Malay language.

Peter Tosh, Reggae Star, Is Murdered

United Press International

KINGSTON, Jamaica — Peter Tosh, an internationally known reggae musician, was killed Friday by gunmen during a robbery at his home, the police said Saturday.

Another man, identified as Wilton (Doc) Brown, also was killed and five persons were wounded in the attack, which occurred about 8:30 P.M. Friday, said a police spokesman, Inspector Dennis Martin.

Three gunmen on motorcycles went to Mr. Tosh's residence in the middle-class Barbican area of north Kingston and demanded money, he said. When their demand was denied they forced the seven to the floor, shot them and ransacked the house.

Mr. Tosh, 43, died from a gunshot wound to the head, Inspector Martin said.

The authorities said the injured were Marlene Brown, Mr. Tosh's common-law wife; Carlton (Santa) Davis, a drummer in Mr. Tosh's band, called Word, Power and Sound; a Jamaica Broadcasting Corp. disc jockey, Jeff (Free) I. Dixon; Michael Robinson, a musician; and a woman identified only as Joy.

Mr. Dixon was in critical condition at Kingston's Victoria Hospital of the West Indies suffering from two gunshot wounds to the back of the head. The others were listed in stable condition.

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THE BURLINGTON HOUSE FAIR The Antique Dealers' Fair at The Royal Academy of Arts Burlington House, Piccadilly, London W1. 9th-20th September 1987

THE SHAPES AND COLOURS OF AFRICAN ARTS AND CRAFTS The International Exhibition of Arts and Crafts (SIAO) will be held from October 30th to November 6th in the capital of Burkina Faso.

WORLDWIDE ENTERTAINMENT PANACHE LIDO The most famous night-club in the world. 8 p.m. dinner dance, champagne and show F 495. 10.15 p.m. and 0.30 a.m., champagne and show F 340.

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AMERICAN Worldwide Architecture Being Preserved... ARMS: Reagan Reje... Why Am I Signing? Easy... THE HIGH SCHOOL LOSING IN...



WORLD BRIEFS

ains Prominent Palestine... A man widely considered to be a key figure in the nationalist movement in the Israeli-occupied West Bank... deploys Chad Air Defense... Human rights activists who organized future actions in all three of the states...

AMERICAN TOPICS

Roadside Architecture Is Being Preserved

Vintage roadside architecture — huge signs containing hot-dog stands, amoco wigwags, diners, tourist cabins — is the focus of a growing preservation movement.

In Dearborn, Michigan, the Henry Ford Museum is setting up an exhibit that will include a 1946 diner, an old Holiday Inn sign, a simple 1931 tourist cabin, parts of a miniature golf course of the early 1930s and a drive-in movie theater from the 1950s.

Suffolk County, Long Island, plans to move a two-story duck inside of wire lath, cement and stucco from its present site, which is threatened by development, to a safer location. In Albuquerque, New Mexico, a partnership of business and the National Trust for Historic Preservation is preserving a shopping area a mile and a half (2.4 kilometers) long containing some of the earliest examples of gasoline stations and motor courts, the precursors of today's motels.

Such buildings "reflect their times, the automobile culture, fun with the whimsical," said Jim Heilmann, co-author with Rip Georges of "California Crazy — Roadside Vernacular Architecture" (Chronicle Books, San Francisco, 1980).

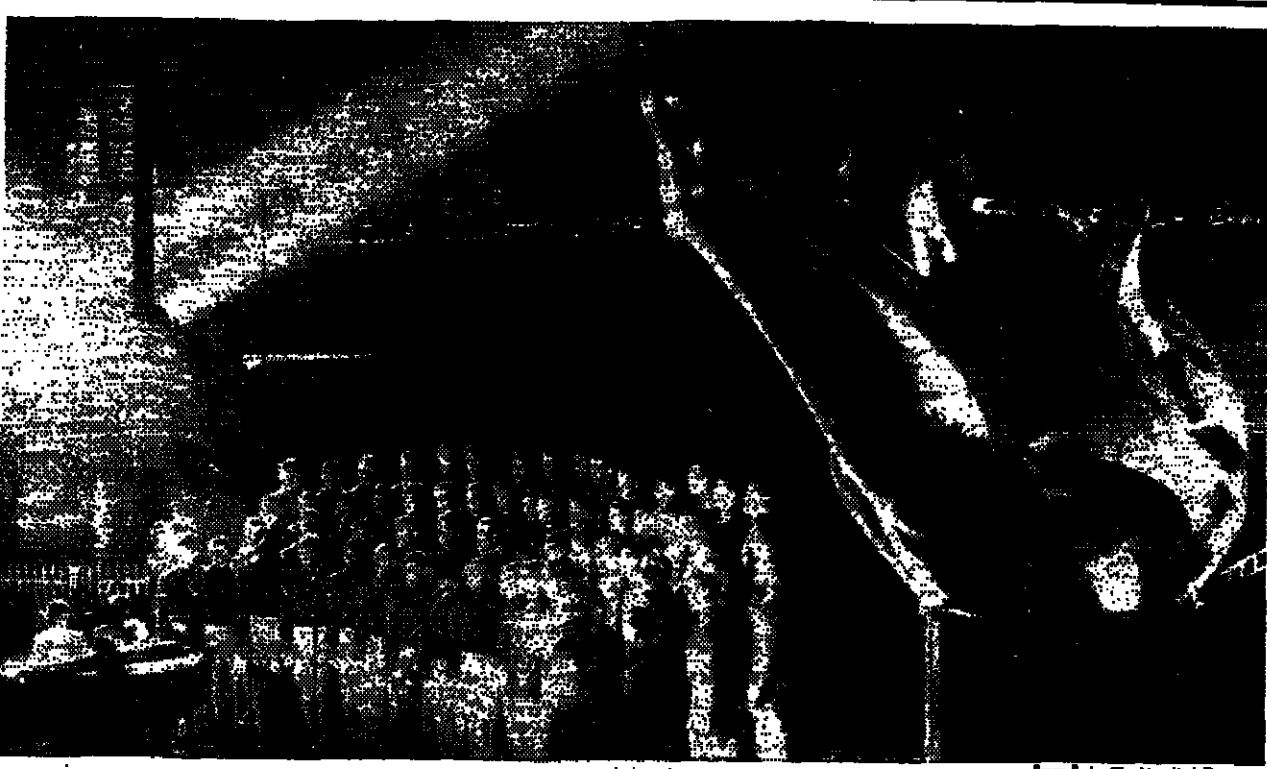
Notes About People

Scott Turow's novel "Presumed Innocent" has been a best seller most of the summer. The film rights brought \$1 million, and the paperback sale fetched \$3 million, a record for a first novel.

Governor Mario M. Cuomo of New York has been traveling a lot this year but he is not so much of the country or its people. He almost never explores the place he is visiting.

The police department in Central Falls, Rhode Island, has held its own traffic and misdemeanor courts for the past 30 years or more, with officers presiding over trials, in violation of state law and the U.S. Constitution.

A Washington club for men whose wives are more famous than they are is called the Denis Thatcher Society, after the husband of Prime Minister Margaret Thatcher of Britain.



A LIBERTY FLAME FOR FRANCE — The West Point Glee Club performed during the unveiling of the Flame of Liberty, a copy of the flame held by the Statue of Liberty, in Jersey City, New Jersey. The flame replica, built by the French craftsmen who restored the statue for its centennial last year, is to be presented to France, commemorating close French-American ties and the 100th anniversary of the International Herald Tribune.

Short Takes... The police department in Central Falls, Rhode Island, has held its own traffic and misdemeanor courts for the past 30 years or more.

band of Prime Minister Margaret Thatcher of Britain. The founder is Charles E. Horner, an associate director of the U.S. Information Agency.

most impact on the world in this century? The New York Times reports that the most frequently mentioned men are Churchill, Einstein and Franklin D. Roosevelt.

Fat Americans ended its annual convention last week in Newark, New Jersey. About 200 members showed up.

Liberals Triumph in Ontario Voting; Result Seen as Setback for Mulroney

TORONTO — The Liberal Party has been returned to power in Ontario, the most populous Canadian province, after an election campaign dominated by a proposed free trade agreement between Canada and the United States.

Mr. Mulroney was elected in a landslide three years ago, but has seen his own standing and that of his party, erode badly in national public opinion polls. In recent Gallup surveys, the Conservatives ranked third among the major parties, with 25 percent of support.

In Canada, one of the most influential voices will be that of Mr. Peterson, who used his victory speech on Thursday night to renew his campaign pledge to fight any trade agreement that fails to meet several conditions, including adequate protection for Ontario's automobile industry.

Canadian Quits As Director of Intelligence Unit

OTTAWA — The director of the domestic intelligence service in Canada has resigned after the agency admitted using false information to obtain a wiretap on a Sikh suspect.

The government announced Friday that Ted Finn, director of the Canadian Security Intelligence Service, would be replaced by a career diplomat, Reid Morden.

Albanian Yacht Rescue Brings Overture to U.S.

BELGRADE — In a sharp departure from its longstanding hostility toward the United States, Albania rescued a yacht owned by an American that entered its territorial waters during a storm in June.

ment in Tirana has maintained the entire nation of 2.9 million on a permanent alert against suspected spies, encouraging suspicion of anyone who neared Albanian territory.

Both emphases confirmed that the rescue and the exchange of notes had taken place, but said the incident had no significance in the relations between the two countries.

Since the death of the founding leader of Communist Albania, Enver Hoxha, in 1985, his successor, Ramiz Alia, has slowly steered his country toward greater openness with Western Europe.

ARMS: Reagan Rejects Pentagon Stance, Signaling Desire for Accord Soon

Administration officials who support the president's recent decision to reject the Pentagon's proposal to verify Soviet treaty compliance, said they were disappointed.

Senior U.S. officials said the new decisions would still leave the two superpowers at apparent odds over the disposition of existing warheads on medium- and shorter-range missiles.

With Mr. Dole in the lead, most Republicans voted with the Democrats to move immediately to begin debate on the \$303 billion military authorization bill for the 1988 fiscal year.

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinist government, has returned to Nicaragua from the United States.

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Advertisement for Institut Pasteur celebrating its centenary (1887-1987-2087). The text includes 'THE CENTENARY OF THE PASTEUR INSTITUTE' and 'will be celebrated on 8th October 1987.' It also mentions a prestigious publication and advertising reservations.

Pope Appears to Back Sanctuary Movement for Latin America Refugees

SAN ANTONIO, Texas — Pope John Paul II said here Sunday that people in the United States must keep their doors open to Central American refugees.

ping his hands during the singing of the hymn "Black Thankfulness." He said, "I urge you to keep alive and active your rich cultural gifts."

His comments appeared to give support to the sanctuary offered refugees by some priests and nuns in defiance of U.S. immigration authorities.

The Reagan administration has declared that the refugees, mainly from Honduras and El Salvador, are coming to the United States for economic reasons.

Speaking to 300,000 mainly Hispanic Americans at an outdoor Mass, the pope said: "Among you there are people of great courage and generosity who have been doing much on behalf of suffering brothers and sisters arriving from the south."

Fewer than 5 percent of American blacks are Catholics, and only 2.5 percent of American Catholics are black.

They have sought to show compassion in the face of complex human social and political reality."

The officials have known for more than a year that the man was infected with the virus, but only last week could they prove that it came from the laboratory.

Error Gave Researcher AIDS Virus

WASHINGTON — A researcher at a laboratory associated with the National Institutes of Health was not following proper safety rules when he became infected with the concentrated strain of the AIDS virus he was handling.

Dr. Wynyard said that there was a breach of safety rules." Dr. James B. Wyngaarden, director of the institutes, said Friday. "We carried out an exhaustive review, and we have concluded that the current level of safety in our laboratories is adequate."

Addressing 1,800 black Catholics, he said: "Even in this wealthy nation, committed by the Founding Fathers to the dignity and equality of all persons, the black community suffers a disproportionate share of economic deprivation."

Researchers at the institutes and their families have expressed concern, wondering how a worker who said he followed guidelines carefully could possibly have been infected.

Cleric Returns to Nicaragua

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinist government, has returned to Nicaragua from the United States.

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinist government, has returned to Nicaragua from the United States.

Advertisement for Alfred Dunhill Limited featuring a watch. The text includes 'QUALITY, CRAFTSMANSHIP AND STYLE. THE DUNHILL MILLENNIUM.' and 'ALFRED DUNHILL LIMITED'.



OPINION

Herald Tribune

Help the Talks Along

The Reagan administration contends that making peace in Nicaragua requires making the Sandinistas worry about the contras. Otherwise the Sandinistas will promise everything, wait for Congress to stop aid to the rebels—and then deliver nothing.

Keep the Pressure On

As Secretary of State George Shultz and Foreign Minister Eduard Shevardnadze prepare to meet this week, twin campaigns are being waged on an issue with a powerful, proven potential to affect superpower relations.

Judgment of a Judge

Of course the Senate should scrutinize the views of Judge Robert Bork, President Reagan's latest nominee for the Supreme Court.

Aquino Has What It Takes for a Tough Job

By Stephen W. Bosworth

HANOVER, New Hampshire — In the five months since I returned from my assignment in the Philippines, I have repeatedly been asked whether President Corason Aquino "can make it."



Mr. Bosworth is a visiting fellow at Dartmouth College, where he is writing a book. He contributed this column to The Washington Post.

The News Stories Are Still About the Constitution

By A.M. Rosenthal

NEW YORK — American navy in combat readiness in Persian Gulf. Hart raises privacy issue. Killer executed in Florida. Justice Department organizes anti-obscenity drive.

This Constitutional Earnestness Is as Good as a Festival

By Naomi Bliven, writing in the Los Angeles Times

THE U.S. Constitution deliberately diffuses power, seeks to prevent the concentration of power in any branch and at any level of government.

The True Place for a Just Man . . .

By Colman McCarthy

WASHINGTON — A friend writes from Oakland: "I am getting myself back together after the horrors of several days ago."

Unwelcome Trouble For NATO

By Jim Hoagland

PARIS — An American effort to persuade Britain's Lord Carrington to extend his tour as NATO secretary-general has failed.

In Our Pages, 75 and 50 Years Ago

1912: Wife to the Rescue NEW YORK — A reconciliation is about to be effected between General Daniel E. Sickles and his wife, who have been separated twenty-seven years.

ON Mission t... U.S. Hopes o... In the... to disc... by the... Great... This... tion... in Co... States... and an... "I th... least... they... very... official... He a... prob... UN... into a... time... to keep... support... Gul... "We... self-d... get... He s... ground... attacks... full... all per... at fault... unity... Iraq... Iran's... the co... tankers... The... for a... withdr... CC... have... even... His... were... time... moun... ning... The... sen... strab... lysts... cont... place... In h... Reagan... But... safegu... ADV... Doctor Fernando Santos... Ministro de Energia y Minas... In August 1984, the Govern... Consitutional Presid, Ing. Ladi... published petroleum policy guidelines... and exploration of hydrocarbons, Es... and mines, the guidelines set out the... — To explore, through foreign... million hectares, two and one half... in order that, in the next four years... amount of investment required annou... exploratory wells and twenty thou... — To develop, through the Pet... dorian State (CEPE), exploration of... hectares located in areas close to... the Amazon Basin, the goal being... with a capacity to produce at least... Since 1984, when this policy w... mentioned have been fulfilled up... services for the exploration and exp... been signed and the exploration o... companies and five hundred thou... Investments secured by means of... 300 million dollars, which shall b... exploratory wells and 16,000 kil... Petroleum, Occidental and Conoco... have already discovered gas... wells and has built 2,000 kilowatt... and detected commercial oilfields... At the present time, other four... companies associated in consortium... are OCCIDENTAL, I... IBO, TEXACO, CONOCO, TERN... TERN-CANADA, which is an autho... search for petroleum in Ecuador and... Ecuador has implemented the conve... and exploitation of a hydrocarbon... In June of the current year, the... purpose being to fulfill the go... that one under the Government of... called for the Government of... Ecuadorian Amazon region and one... These blocks are indicated on the... most important in the Ecuadorian... the petroleum transportation in... Considering the conditions of ac... of profit sharing of the oil explo... and the foreign enterprises as well... to a great number of oil compan... leaders on October 15, the last day... the Fifth Oil...

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# UN Mission to Gulf Prompts U.S. Hopes of Opening to Iran

By David B. Ottaway

Washington Post Service

WASHINGTON — Reagan administration officials, breaking with their normal caution in Middle East forecasting, say they see an unheralded chance for a breakthrough in long-stalemated diplomatic efforts to bring Iran to the negotiating table and perhaps end the seven-year Gulf war.

These officials say that Iran's decision to receive the United Nations secretary-general, Javier Pérez de Cuéllar, to discuss "implementation" of a United Nations Security Council cease-fire resolution represents something of a watershed in Iranian diplomacy — not yet a change in its objectives — that offers the first opportunity to engage Tehran directly on a settlement.

They attribute this new Iranian attitude mostly to Iran's growing isolation, caused largely by mutual big-power cooperation in applying pressure on Tehran to halt hostilities. They also acknowledge that Iran's diplomatic tactics could easily change again overnight, or that a new escalation in fighting could destroy the chance for a breakthrough.

Ironically, it is the unpredictable actions of Iraq, the country that would benefit most if U.S. efforts to end the war succeed, that are now a source of great concern for U.S. officials. They fear that Iraq's declared policy of continuing to attack Iranian oil facilities in the Gulf until a final political settlement is reached could provoke Iran to break off peace talks.

The Iraqis, who have traditionally insisted on numerous conditions before peace talks, have now reduced their demands to one: that the UN condemn Iraq as the initial aggressor in the war. The UN cease-fire resolution of July 20 provides for establishing an "impartial body" to investigate responsibility for the war. Iraq has said it is ready to let the International Court of Justice decide this issue.

President Ali Khamenei of Iran told Mr. Pérez de Cuéllar, who left for Baghdad after two days of talks in Tehran on Sunday, that Iran's cooperation in a search for a war settlement depended on the UN finding "a formula" for punishing Iraq as the aggressor.

This and other Iranian statements about the UN secretary-general's visit did not make it clear whether any real progress had been made to substitute U.S. optimism about chances for a breakthrough.

forces to internationally recognized borders and a negotiated political settlement to the conflict.

The likely immediate prospect, U.S. officials fear, is a kind of gray diplomatic situation that Iraq will find intolerable, one in which Iran will continue to avoid a clear-cut total acceptance or rejection of the UN cease-fire resolution while it leaves open the door for further negotiations.

U.S. officials concede that such a play could also derail the Reagan administration's plan to press immediately for a UN arms embargo on Iran in the absence of a clear acceptance of the cease-fire resolution during Mr. Pérez de Cuéllar's visit to Tehran.

They say they fear that if the UN secretary-general, on the basis of his consultations with both Iran and Iraq, asks for more time to give diplomacy a chance, both the Soviet Union and China will back him. In this case, the United States would have serious difficulty in getting the five permanent Security Council members to support a resolution calling for an arms embargo on Iran.

The senior official indicated that there was already concern that the Soviet Union and China would abstain on a vote to impose an arms embargo on any case.

Administration officials, who readily admit that U.S. intelligence on internal Iranian politics is poor, say they have seen no indication that Iran's unpredictable and often volatile leadership has abandoned its main war goal — the overthrow of the Iraqi regime of President Saddam Hussein.

"There is a shift in Iranian diplomacy," remarked another U.S. official, "but is there a shift in objectives? I doubt it."

## Syrian Promises 'Good News' on Anglican Envoy

The Associated Press

DAMASCUS — The Syrian defense minister has told Church of England envoys that he will have "good news soon" about Terry Waite, the missing Anglican hostage negotiator, a source close to the church delegation reported.

The source gave no further details nor did he say if Lieutenant General Mustafa Tlas had elaborated on his remarks to the six-man delegation sent by Archbishop Robert Runcie, the Church of England primate.

He quoted General Tlas as telling the group that "Syrian efforts to free Terry Waite continue."

The mission was led by Canon Paul Oestreicher, director of the church's International Ministry, and included officials of the Brussels-based Pax Christi movement.

Mr. Waite, 48, vanished Jan. 20 in West Beirut after leaving his hotel to keep a night-time rendezvous with a Shiite Muslim faction.

Mr. Waite's disappearance was a major new effort on arms control, expressed disappointment Friday with the recent pace of progress in negotiations.

The public statements were described by officials as part of a carefully calibrated tactic of lowering the expectations surrounding talks with Mr. Shevardnadze, so that any progress would be seen as an impressive success.

"It will be a full review," said Rosamund L. Ridgway, assistant secretary of state for European and Canadian affairs.

But she emphasized that the possibility of a visit to Washington by Mr. Gorbachev, was not on the agenda, although Mr. Reagan's longstanding invitation still held.

She added that since April, when Mr. Shultz delivered a letter to Mr. Gorbachev in Moscow renewing the invitation, "I am aware of not one word of exchange between the United States and the Soviet Union on the question of a summit."

Soviet analysts, taking their cue from Mr. Gorbachev's public remarks, believe that he will not visit the United States until a treaty eliminating intermediate-range nuclear weapons is ready to sign.

Most major issues in that accord have been resolved, and Max M. Kampelman, the chief U.S. arms negotiator, said the remaining issues could be dealt with at the technical level in Geneva by those writing drafts of the treaty.

## PARIS: Idle Youths and Tourist Throngs Change Image of Champs-Élysées

(Continued from Page 1)

district-by-district crime rates, but local officers said the Champs-Élysées area's record was no worse than that of other crowded parts of the city. Other officials said that the rate had actually dropped over the past three years since the police began clamping down on street crime in Paris in general.

For foreigners, imbued with the folklore of the 1930s, the image of the Champs-Élysées is that of a place where starlets and haute couture models hurried about their affairs, their hips swinging with the rhythmic precision of metronomes. Paparazzi would snap the latest fashions as hemlines rose and fell.

For the French, harking back to the same era, it used to be a good place to end a Sunday drive, to park the two-tone Citroën DS and take the children for an ice cream at a sidewalk café while fathers sipped beer and mothers drank Campari.

With its flashy car showrooms exposing the latest excess in chrome plating, it became a symbol of postwar prosperity.

By the mid-1970s the consensus was that the era of the Champs-Élysées was over. Now, Parisians regard the Champs-Élysées at night as a place for others: for foreign

tourists, provincials and banlieusards, or suburbanites. "Parisians only go to the Champs-Élysées to see a movie," a Paris doctor said. "Those Parisians who want a stroll and a drink stick to St.-Germain-des-Près" across the Seine on the city's Left Bank.

As for the smart boutiques, store owners report a fall in customers from the Gulf region, a decline they blame on the oil glut and falling oil prices in the early 1980s.

"There are no more foreigners," a salesman at Gregory, a men's outfitter in the Arcades du Lido, one of several smart shopping arcades along the Champs-Élysées, said. "There are no more Arabs, no more Iranians, no more Iraqis or other customers from the Gulf."

The vendor, whose store is due to close shortly because of the slackening trade, added: "The French fled from the Champs-Élysées long ago. Our problems have come from the worldwide economic crisis."

At Ted Lengley, another store in the same arcade, a salesman said trade on the avenue had suffered from a general drop in tourists, particularly from North America and Scandinavia, since France began requiring visas for many visitors as part of its measures to combat terrorism.

"It's difficult to pin down one particular problem," he said. "When the sun shines, the ice cream vendor is happy; when it doesn't, the umbrella merchant is. The district, like the Côte d'Azur, has been affected by a drop in tourists and by the arrival of those who would rather eat a sandwich than a good meal."

Apart from one or two smart bars or restaurants, such as Fouquet's on the corner of the Avenue George V, most Champs-Élysées cafés have gone decidedly "down market." Many of them are joints whose only dish is chicken and French fries, restaurants that belong to the cheapest of French chains or to American or imitation-American hamburger chains.

While local officials lament the drop in standards, they say that there is little the city can do. "We cannot turn the Champs-Élysées into a museum," said Mr. Lebel. "Commerce is free."

Even in the dog days of mid-August, the cheap eating houses were doing good business during a period when tourists outnumbered locals on many Paris streets.

According to the staff at Fouquet's, the more elegant establishments also do well, receiving a flow

of well-heeled customers, many of them coming from the smart hotels on the Avenue George V.

On Saturdays the Champs-Élysées sometimes seems to become the preserve of leather-jacketed youths from the suburbs.

Local officials say that the express metro service linking outlying areas to the center of Paris, which opened in the mid-1970s, has put the Champs-Élysées and Les Halles within just a brief ride for youngsters with few distractions nearer home.

The fading image of the Champs-Élysées has had no effect on real estate values, according to Mr. Lebel, since most buildings house offices and stores that close during the hours when the avenue is at its least appealing. Some of its buildings have been acquired by Gulf Arab and British insurance groups in recent years, testifying to its continuing interest to financiers, he said.

The message to those who worry about the avenue's character is that people should leave it alone, the mayor added, that it should be de-populated.

"Don't come back for the next 20 years," he said, "and I promise that it will be the way it was before."

Unwelcome Trouble For NATO By Jim Hoagland

PARIS — An American effort to extend the UN Security Council's mandate to NATO's mission in the Middle East has failed. The new faces a divisive conflict with NATO's own civilian leaders.

WASHINGTON — NATO does not need more troops. The mission in the Middle East is a success. The UN Security Council's mandate to NATO's mission in the Middle East has failed.

## TALKS: Shevardnadze in U.S.

(Continued from Page 1)

addition to the White House luncheon, the U.S. side will host a cruise on the Potomac River for Mr. Shevardnadze. Soviet officials plan a luncheon for the Americans at the Soviet Embassy.

U.S. Expectations David K. Shipley of The New York Times reported from Washington: Reagan administration officials, apparently trying to prod the Soviet Union to make a major new effort on arms control, expressed

## GERMAN: Setback for Kohl

(Continued from Page 1)

had cost the Christian Democrats votes in Schleswig-Holstein. He also blamed an election-eve article by the left-oriented magazine Der Spiegel, which accused the Christian Democratic state premier, Uwe Barschel, of having waged a dirty-trick campaign against his Social Democratic opponent.

On Thursday the Social Democrats won a court order forcing the Christian Democrats to withdraw a campaign newspaper article saying that the Social Democrats planned to decriminalize child sex if elected.

In Bremen, the left-of-center Social Democratic Party, which is in the opposition in Bonn, retained its absolute majority.

The environmentalist-pacifist Greens nearly doubled their votes in the North Sea port, which is West Germany's smallest state.

## VOTE: New Caledonia Backs Paris

(Continued from Page 1)

overseas departments in the Caribbean, said the New Caledonia balloting showed "triumphant participation" by the population. In a statement, he called on all the territory's political movements to "draw the conclusions of the uncontested choice that has just been democratically expressed."

"I invite them to look toward a future of solidarity with confidence and lucidity," he said.

Bernard Pons, Mr. Chirac's minister for overseas territories and overseas departments, said the participation level "went beyond our most optimistic forecasts."

Yann Céline Uregei, a leader of the separatist Kanak Socialist National Liberation Front, said in the vote that his movement "categorically rejects" the referendum, and he called for a new election in which only Kanaks would take part.

of New Caledonia. Residents of European heritage make up the second-largest group, with about 38 percent. The rest of the population is divided among Wallisians, Polynesians and others, chiefly Asians.

New Caledonia, which was discovered by the West by Captain James Cook in 1774, was settled by British and French missionaries and became a French colony in 1853. It became a French overseas territory in 1946 and since then has evolved through a series of statuses giving it more or less decentralization from the government in Paris.

After the violence in 1984, the then Socialist government of France sought to meet Kanaks' demands by granting them autonomous institutions in three of New Caledonia's four regions and a form of overall independence that would have retained close links with France. This was rejected by the white population and repudiated by Mr. Chirac's government when he came to power in March 1986.

The referendum organized by Mr. Pons on Sunday was designed to provide a basis for continued French rule during which, officials have said, the government in Paris will carry out changes to meet Kanak demands for greater autonomy and a larger share of the economy.

## CONTRA: A Rebel Foothold Is Reported in Nicaragua

(Continued from Page 1)

have enough safeguards and might even be fatally flawed.

His remarks Saturday, which were his most critical yet, came at a time when the plan, adopted last month in Guatemala City, is winning wide support in Congress.

national security" that he said were in a proposal he offered earlier to the speaker of the House, Jim Wright of Texas.

The administration has told Congress it will seek \$270 million in new aid for the Nicaraguan rebels sometime after Sept. 30.

Changes Are Announced President Daniel Ortega Saavedra of Nicaragua announced on Sunday measures to comply with a regional peace plan and called for new talks with opponents of his government, Reuters reported from Managua.

He said that as a sign of good will Nicaragua would free an unspecified number of Central Americans and Panamanians in prison in Nicaragua and accused of rebel activities.

ADVERTISEMENT

# ECUADOR MAKES FIFTH CALL FOR OIL TENDERS AND FULFILLS ITS HYDROCARBON EXPLORATION AND EXPLOITATION GOALS

**MAPA PETROLERO DEL ECUADOR**

In August 1984, the Government of Ecuador, presided by its Constitutional President, Ing. León Febres-Cordero Rivas, established petroleum policy guidelines with regard to the exploitation and exploration of hydrocarbons. Executed by the Ministry of Energy and Mines, the guidelines set out the following main objectives:

- To explore, through foreign companies, a land area of 4 million hectares, two and one half million of which are located in the Amazon region, and one and a half million On-Shore and Off-Shore, in order that, in the next four years, Ecuador may renew its potential of known reserves by approximately two billion barrels. The minimum amount of investment required amounts to 400 million dollars for 50 exploratory wells and twenty thousand kilometers of seismic lines.
- To develop, through the Petroleum Corporation of the Ecuadorian State (CEPE), exploration activities in an area of one million hectares located in areas close to the transportation infrastructure of the Amazon region, the goal being the discovery of new reservoirs with a capacity to produce at least 500 million barrels.

Since 1984, when this policy was announced, the objectives mentioned have been fulfilled up to 75% after having completed successfully four calls for tenders. Eleven contracts for the lending of services for the exploration and exploitation of hydrocarbons have been signed and the exploration of 3 million hectares by foreign companies and five hundred thousand hectares by CEPE has been carried out.

Investments secured by means of the subscribed contracts amount to 300 million dollars, which shall be used for the perforation of 46 exploratory wells and 16,000 kilometers of seismic lines. British Petroleum, Occidental and Conoco, presently in the phase of perforation, have already discovered fields of crude oil which will be developed in the next few years. CEPE is performing 5 exploratory wells and has built 2,000 kilometers of seismic lines during this year and detected commercial oilfields in northeastern Ecuador.

At the present time, after four calls for tenders, 21 foreign companies associated in consortiums have invested in the country. The operators are: OCCIDENTAL, BELCO, ESSO, BRITISH PETROLEUM, TEXACO, CONOCO, TENNECO, BRASPETRO, ELF and PETRO-CANADA, which is an authentic proof of the interest in the search for petroleum in Ecuador and of the confidence in the political, economic and contractual conditions which the Government of Ecuador has implemented in the contracts for services for the exploration and exploitation of a hydrocarbon.

In June of the current year, the Fifth Call for Tenders was made, the purpose being to fulfill the goals set by the Government of Ecuador with regard to exploration. This Fifth Call for Tenders, the last one under the Government of President León Febres-Cordero, has called for tenders for five blocks in the southeastern part of the Ecuadorian Amazon region and one block On-Shore. The location of these blocks are indicated on the adjoining map.

The Government of Ecuador considers this last call as one of the most important in the contracting process as it shall evaluate half of the Amazon Basin, with its great hydrocarbon potential, and integrate the petroleum transportation infrastructure of the entire basin.

Considering the conditions of economic contracts, the equilibrium in Ecuador, the clarity of the rules governing contracts, the Government of profit sharing of the oil exploitation between the Ecuadorian State and the foreign enterprises as well as the oil potential, the Government of Ecuador trusts that this fifth Call for Tenders will be of interest to a great number of oil companies and lead them to present their tenders on October 15, the last day for the presentation of some for the Fifth Call.

FOR FURTHER INFORMATION PLEASE CONTACT THE OFFICE OF COORDINATION OF PETROLEUM CONTRACTS, TELEPHONES: 544-999, 544-888; TELEX: 2861 CEPE ED.



Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277. Prices may vary according to market conditions and other factors.

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Table of Dollar Straights with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Australia, Canada, and New Zealand.

United Kingdom

Table of United Kingdom bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Abbey Natl, Barclay, and British Tel.

United States

Table of United States bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for A & T, Amoco, and Amstar.

DM Zero Coupons

Table of DM Zero Coupons with columns for Issuer, Can Mat, Price, and Yield. Includes entries for A & B, A & RCO, and Amstar.

DM Straights

Table of DM Straights with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Air Canada, Amstar, and Amstar.

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Canada

Table of Canadian bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for B.C. Hydro, Canada, and Canadian Pac.

Scandinavia

Table of Scandinavian bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Denmark, Finland, and Norway.

Supranational

Table of Supranational bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Council Europe, ECIB, and ECIB.

Japan

Table of Japanese bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for All Nippon, Bk of Tokyo, and Dai-ichi.

Western Europe (Other)

Table of Western European bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Ausr Contr, Austria, and Austria.

Non-European

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ECU Straights

Table of ECU Straights with columns for Issuer, Can Mat, Price, and Yield. Includes entries for Amstar, Amstar, and Amstar.

Yen Straights

Table of Yen Straights with columns for Issuer, Can Mat, Price, and Yield. Includes entries for A & B, A & B, and A & B.

Libor Rates

Table of Libor Rates with columns for Issuer, Can Mat, Price, and Yield. Includes entries for 1-month, 3-month, and 6-month.

Treasury Bonds

Table of Treasury Bonds with columns for Issuer, Can Mat, Price, and Yield. Includes entries for 1-year, 2-year, and 3-year.

Chicago Exchange Options

Table of Chicago Exchange Options with columns for Option & Price, Calls, and Puts. Includes entries for AIG, Allianz, and Allianz.

Options & Prices

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NYSE Most Actives

Table of NYSE Most Actives with columns for Vol, High, Low, Last, and Change. Includes entries for AT&T, IBM, and IBM.

AMEX Most Actives

Table of AMEX Most Actives with columns for Vol, High, Low, Last, and Change. Includes entries for AT&T, IBM, and IBM.

NYSE Diaries

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AMEX Diaries

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NYSE Sales

Table of NYSE Sales with columns for Total for week, Total for year, and Total for month. Includes entries for NYSE, NYSE, and NYSE.

AMEX Sales

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Last Week's advertisement with logo and text.



EUROBONDS

Impact of U.S. Trade Gap Blunted by Jittery Dealers

LONDON — The U.S. trade deficit rose to \$16.47 billion in July from \$15.71 billion in June. It is a simple enough statement, but it was one the Eurobond market had been anxiously awaiting the whole week. In fact, bond traders are not especially concerned about the actual size of the deficit. What does worry them is its effect on the U.S. dollar.

One dealer at a U.S. securities house in London illustrated this point Friday. "A trader, not an economist," he said. "An American buying a Toyota doesn't really worry me, but the dollar falling 1.5 pfennigs does. It hits my book" of bond holdings. The dollar has been falling against most major currencies for over a year now as the U.S. trade deficit has widened. Until recently foreign holders of dollar Eurobonds were protected somewhat from the effects of a weaker dollar by the fact that interest rates were also falling. But the end of that trend was abruptly signaled on Sept. 4 when the Federal Reserve raised the U.S. discount rate to 6 percent from 5.5 percent.

Traders' short-covering pushed prices of dollar bonds higher.

The market had been expecting a trade deficit of around \$15.5 billion. Anything less and the dollar probably would have risen. So when news of the larger-than-expected deficit flashed across their computer screens, the natural reaction of traders was to sell, and they did — heavily.

Within minutes the dollar had fallen by more than 1.5 pfennigs against the Deutsche mark and also by 2 yen. The U.S. Treasury's key 30-year bond fell a full percentage point. Longer-dated fixed-rate dollar Eurobonds fell by a similar amount. It looked like the traders, in judging the figure, had gotten it right.

But then something curious happened. The dollar started rising from its lows. Within three hours the U.S. long bond was trading at levels above Thursday's close and eventually finished the U.S. session about a half-point higher than this previous finish.

Why did this happen? On the surface, nothing had changed. The deficit was still the same and already economists were saying that the dollar was in for a further rough ride.

THE ANSWER as far as Eurobonds were concerned was that trading fundamentals took over. Dealers in Europe are generally reluctant to go home for the weekend with too many short positions on their books. It can prove very expensive, if any news breaks that sends bond prices higher. So the traders started to buy bonds to cover those positions. The same thing happened to the dollar in the currency markets.

One dealer at a U.S. securities house said he had established a large short position in a particular bond issue immediately after the figures. "It cost me money to get it back," he confessed ruefully. "The trouble is when you're short and the market starts to rise, prices move up in 1/4- or 1/2-point bounds."

With dealers describing the market as oversold, other traders rushed to cover short positions. The gains became self-feeding and the market eventually finished with some issues showing half-point increases from Thursday's levels, although prices generally were as much as 1 point down from the previous week.

In the longer term, though, one day's trading means nothing. Many dealers and analysts feel that further interest-rate rises will be needed in order to protect the dollar. For example, on Thursday, Albert Wejnliowier, First Boston Corp.'s managing director, said that he expects the Federal Reserve to raise the discount rate to 7 percent by the end of the year.

Some optimists cite February's Louvre accord on currency stabilization as a factor that will support the dollar. Recently central banks — notably West Germany's Bundesbank and the Bank of Japan — have indeed been buying dollars heavily.

But as one doubtful trader puts it, "The central banks are going to get fed up buying dollars that no one wants. Something's got to give." By Friday evening dealers were already speculating that the dollar could soon decline another 5 percent.

No new dollar straightens were launched last week. But this does not mean that borrowers are not waiting on the sidelines. Indeed, this week should see the launch of a \$1 billion offering for Italy. Although Credit Suisse First Boston Ltd. will not comment formally on whether it has received the mandate to arrange the deal, market sources say that the firm approached potential co-lead managers on Wednesday.

The sources say that these banks were approached to underwrite a hefty \$100 million each. They noted that these firms were unwilling to commit themselves to such an extent ahead of the U.S. trade figure.

But this week is a different matter and the sources say the bond could emerge as early as Monday. Price talk has centered on a three-year deal with a yield spread of 55 to 60 basis points, or

Currency Rates

Table with columns for Currency, Bid, Ask, and other market data. Includes entries for London, Tokyo, Zurich, and other international markets.

Table titled 'Other Dollar Values' showing exchange rates for various currencies like Swiss Franc, West German Mark, etc.

Table titled 'Forward Rates' showing forward exchange rates for different currencies and terms.

Table titled 'Stock Indices' showing performance of various stock indices like Dow Jones, S&P 500, etc.

Table titled 'Money Rates' showing interest rates for various financial instruments like Treasury bills, etc.

Table titled 'Last Week's Markets' summarizing market movements for various indices and currencies.

Table titled 'Money Rates' (continued) showing more financial data.

Table titled 'Money Rates' (continued) showing more financial data.

Spending Fuels Economic Boom in Portugal

But Inflation Fears Grow, Too

By Paul Delaney  
New York Times Service

LISBON — When the parking lot of Continental, a sprawling supermarket complex with 53 checkout counters, is filled, shoppers leave their cars along the shoulders of a nearby expressway and risk crossing four lanes of traffic to reach the bargains in Lisbon's first American-style shopping mall.

Maybe not everyone walks back to a car on the expressway hauling a sofa, as one man was seen doing, but shoppers file out of the one-story structure loaded down with consumer goods.

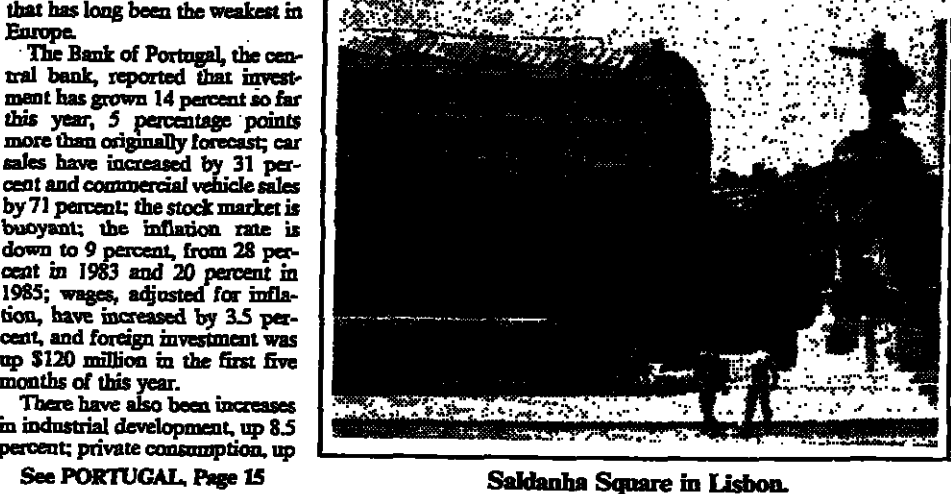
Mannella Alves, a movie teacher, and her companion, Francisco Teixeira Mota, an attorney, acknowledged that they have been spending money like crazy the past two years, buying a compact disk player, furniture, a car, a clothes dryer, artwork and a vacation home.

Then there is Antonio Pedro Vasconcelos, a movie director, and his wife, Teresa Schmidt. Their recent purchases have included a car, washing machine and dryer, stereo, television and compact disk player.

They, like many of the 10 million citizens of Portugal, are on a binge that is helping to fuel an economic boom in a country

Table titled 'Demand, output and prices' showing percentage changes from 1984 to 1986 for various economic indicators like Private consumption, Government consumption, etc.

Source: OECD



Saldanha Square in Lisbon.

Hungary's Economic Reform Plan Likely to Stir Debate

By Warren Getler  
International Herald Tribune

BUDAPEST — Hungary's new prime minister, Karoly Grosz, will be watched anxiously by both East and West on Wednesday when he presents new tax proposals and other tough measures to tackle an array of economic problems.

The package includes plans to introduce personal income tax and the East bloc's first value-added tax from January. It will be debated in what promises to be the liveliest session of the National Assembly for 30 years.

Western bankers are watching closely because of a worrying rise in Hungarian debt, which Mr. Grosz's "consolidation program" for 1988 to 1990 aims to cap. Communist leaders elsewhere, particularly in the Soviet Union, are interested because Hungary has been a trailblazer in the economic changes many of them are now making.

"The session is crucial in that it will show how far Hungary is prepared to go to solve its problems," a Western diplomat said.

Diplomats say Soviet and Chinese reformers are eager to see that Hungary does not, as one put it, "fall on its butt," because that

could give ammunition to conservative opponents of change in their countries.

Net foreign debt has surged to more than \$10 billion from just over \$5 billion at the beginning of 1986, and is now higher per capita than that of Poland.

Its problems also include a huge budget deficit and sluggish hard currency trade, and Mr. Grosz concedes that the remedies will mean that living standards slip.

But since his appointment in June, Mr. Grosz has stressed his total commitment to reform. "We

Yugoslavia to Adjust Foreign Debt Payments

By Warren Getler  
International Herald Tribune

BELGRADE — Yugoslavia, grappling with 116 percent inflation and other acute economic problems, has said it will soon restructure payments on its foreign debt of nearly \$20 billion.

In a statement on Friday, the government said: "Yugoslavia is about to adjust its debt obligations toward foreign creditors according

to possibilities in the country's economy."

It did not say whether commercial banks had accepted such a plan. Yugoslavia in July had to delay repayments to banks of \$245 million amid a serious foreign currency shortage.

It said the government had prepared a long-term debt stabilization program which uses "other

countries' experiences in the consolidation of debts."

No specifics were mentioned. Recent debt developments have ranged from banks approving long-term delays on repayments for Argentina to Peru's unilateral tailoring of debt repayments to its export earnings. Brazil has suspended interest payments to its creditor banks, while Mexico's bank loans will increase if its economy falters.

Holmes à Court's Stake In Standard Faces Limit

By Warren Getler  
International Herald Tribune

LONDON — The Bank of England has asked Robert Holmes à Court, the Australian financier, to limit his holdings in Standard Chartered PLC, Britain's fifth largest bank, until the central bank has completed an inquiry involving Standard, a Bank of England spokesman said Sunday.

Mr. Holmes à Court currently holds a 14.94 percent stake in Standard and was recently appointed its deputy group chairman.

In response to a query, the Bank of England spokesman said the financier had indicated that he wants to raise his stake above 15 percent, which the central bank considers a "controlling interest."

At Standard's request, the central bank is conducting an investigation of Standard's tactics in thwarting a hostile bid from Lloyds Bank PLC last year. The Bank is exploring press allegations that Standard improperly lent money to some investors who bought stakes in Standard during Lloyds' bid.

Mr. Holmes à Court, whose initial 4.7 percent shareholding

helped Standard defeat the Lloyds bid, was unavailable for comment, although he is understood to have accepted the central bank's request.

The central bank, which has indicated that it hopes to complete its inquiry by January, has no specific authority to prevent the Australian financier from raising his stake.

The Bank will obtain such power on Oct. 1, when a new banking law allows it to force any shareholder deemed not "fit and proper" to reduce his stake below 15 percent.

Mr. Holmes à Court's motivations for increasing his stake are not clear, a senior official at Standard said Sunday, noting the holding was not considered hostile.

Separately, Michael D. McWilliam, the bank's group managing director, said on Sunday that although the bank was weighing the sale of its California-based subsidiary, Union Bancorp Group, no talks have taken place.

Union said on Friday that it is a potential acquisition target, and U.S. analysts said Wells Fargo & Co. and Dai-ichi Kangyo Bank Ltd. appear to be interested buyers. Analysts put the price tag at \$1 billion to \$1.5 billion.

FT Group Is Dismissing 2 For Abusing Data in Trades

By Warren Getler  
International Herald Tribune

LONDON — Two junior employees of the Financial Times group are under stock exchange investigation for having traded in shares on the basis of privileged information and are to be dismissed, officials of the news group said on Sunday.

The employees, male clerks, worked for Finstat, the FT group's electronic share-price information guide, which is not directly linked to the Financial Times newspaper. The amount of money involved in the trades is said to be nominal.

The two admitted having used information from advance copies of an FT publication, Investors Chronicle, to trade in shares before the weekly magazine was distributed to the public, FT sources said.

The Financial Times group bans employees from trading on information they obtain as journalists. FT executives said they contacted the insider-trading investigators' team at the stock exchange several weeks ago, alerting officials to what they saw as suspicious share-price movements possibly related to material that was to appear in Investors Chronicle.

Insider trading is a criminal offense in Britain, but the stock exchange has no power to bring criminal charges, which is the job of the director of public prosecutions.

FT sources said they were not certain whether this case could be described as insider dealing under the law.

The affair was disclosed in the Sunday Times and the Observer. The FT was to print a report of the event in its Monday issue.

Geoffrey D. Owen, editor of the Financial Times, said the FT did not break the story because it was considered "an internal affair."

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IMF Forecasts 2.6% Growth in Industrial World

WASHINGTON — The International Monetary Fund forecasts a tepid economic growth rate of 2.6 percent in the industrial world next year, slightly higher than the 2.4 percent expected for 1987, monetary sources said Sunday.

The forecast is contained in the IMF's World Economic Outlook, to be published later this month.

It implies that leading industrial nations should implement current policies faster to reduce massive trade imbalances between the United States and West Germany and Japan, the sources said.

One U.S. official suggested that progress in closing the gap between the huge U.S. trade deficit and the surpluses of Japan and West Germany may be too slow for the financial markets, where the dollar is already under renewed pressure.

The three nations agreed at a series of meetings this year that Bonn and Tokyo should boost their economic growth, expanding domestic demand in order to curb exports and bolster imports.

Washington, on the other hand, undertook to reduce its huge budget deficit, estimated at about \$157 billion this year, which economists

say is a major underlying cause of the trade deficit.

U.S. figures indicate that adjustment in U.S. trade is not yet happening. On Friday, the Commerce Department reported that the U.S. merchandise trade deficit widened to a record \$16.47 billion in July.

Congress is expected to pass a protectionist trade bill this month, putting pressure on the administration to demand greater stimulus from its key economic allies.

The IMF predicts that the United States' growth rate will be 3.1 percent in 1988, up from 2.4 percent this year.

West Germany's growth rate is put at a paltry 1.5 percent this year, improving to 2.3 percent in 1988. Japan's growth rate, meanwhile, is forecast at a robust 3.4 percent in 1988, up from 3.2 percent this year.

The IMF forecasts form the backdrop for meetings in Washington of the world's finance ministers and central bankers, due to begin in about two weeks.

The sources said that the IMF predicts that growth in the British economy will decline to a 2.2 percent pace from 3.3 percent in 1987.

Saudis Refuse Oil 'Swing' Role

New York Times Service

VIENNA — Saudi Arabia's oil minister, Hisham Nazer, has said his country will not act as a "swing producer," reducing its output to help bring OPEC's overproduction into balance.

Mr. Nazer's remarks Friday underlined what analysts see as a growing rift between Saudi Arabia and Iran, whose year-old alliance helped push up prices by putting pressure on the Organization of Petroleum Exporting Countries to adhere to its quotas.

On Thursday, Iran's deputy oil minister, Hosein Karampour Ardabili, said Saudi Arabia, OPEC's largest producer, should firm sagging prices by cutting its output and getting Kuwait and Iraq to trim theirs.

All these Shares having been sold, this announcement appears as a matter of record only.



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# PERSONAL INVESTING

## FOCUS

### Interest Rates: More Gloom

**O**LD habits die hard. This became painfully obvious over the summer as central banks around the world adopted less accommodative monetary policies at the first whiff of inflationary pressure. In Japan, there was talk of curbing the government's spending plans. In West Germany, the Bundesbank nudged up short-term interest rates. And in what seemed a fitting farewell to summer, the Federal Reserve raised the discount rate by a half-point.

"There's a feeling among central bankers that they may have been too accommodating," says Stephen Lewis, economist at Phillips & Drew in London. "They feel they may have underestimated the threat of inflation."

To be sure, there were compelling reasons to do something. The new-found confidence in the dollar at the start of the summer, combined with a resurgence in oil prices, caught many governments by surprise. This was especially true in Japan, where prices rose at an alarming rate. "Suddenly, these countries believed they were faced with the prospect that their own currencies were going to weaken," says Robert Brusca, chief economist with Nikko Securities International in New York.

These policy shifts have already taken their toll. The Salomon Brothers' World Government Bond Index, which tracks the nine biggest fixed-income markets, registered a meager total return of 1.51 percent in dollar terms last month. This was better than July's performance, when the index showed a negative return of 2 percent, but the results hardly cheered investors, who had grown accustomed to double-digit returns last year.

The U.S. Treasury market was among the worst performers in August, with a negative return of 0.44 percent. Japanese government bonds ranked first, with a 5.29 percent return. But in yen terms, the performance was flat.

Whether the central banks overreacted continues to be debated among economists. Most believe that inflation is growing, but a number of economists say the pre-emptive policies were too severe.

**E**VEN the Fed's motive for the discount rate increase has been called into question. "I think it had more to do with stabilizing the dollar," argues Deborah Foye Kuenster, an international investment strategist with Merrill Lynch. "The U.S. inflation news is actually looking a lot better now than it did in the spring."

Undoubtedly, some of these policies will be reversed as inflation fears subside. Mr. Brusca describes the attitude of central banks nowadays as one of "stop-go" when it comes to their economies. Indeed, some investors anticipate a resurgence in the yen bond market when it becomes clear that Japan's inflation rate will average less than 1 percent this year.

But the policy shifts have left a legacy of doubt in investors' minds. "At this point, you can say bond markets have entered a cyclical bear market," says Ma. Kuenster. And when it comes to stocks, investors will have to look at narrower trends like company earnings. Falling interest rates, as far as she is concerned, are a thing of the past.

John Meehan



## Europe's Publishers Are on the Prowl

By Jacques Neher

**I**T has been anything but a peaceful summer for European publishers. In the Netherlands, Wolters Kluwer merged with Elsevier. French publisher Hachette was rumored to be on the acquisition trail after losing its bid for France's biggest television network. And in Italy, a family feud over control of the country's top publisher, Arnoldo Mondadori Editore SpA, dragged on.

Such maneuverings provided some spark to the otherwise lazy mood that descends on the continent's business every summer. Publishing is an industry where it is not unusual for powerful and power-seeking personalities to dominate headlines.

Yet, a number of analysts say the corporate dramas that have been unfolding are symptomatic of major changes in the publishing industry that normally excite investors.

Some analysts, like Tony Thomson of American Express Asset Management in London, caution that the sector may be "overheated." But others say Europe's publishing stocks still have much going for them.

"I've been bullish on this sector for five years, and I continue to be," says

### Investors are betting on new alliances.

Derek Terrington, publishing analyst with London stockbroker Phillips & Drew.

Investors first began paying attention to publishing stocks a couple of years ago. "It's a fashion that spread from the United States a few years back, when suddenly the information sector was considered the thing to be in," says Denis Christie of James Capel & Co. in London.

But they have become even more popular recently because of growing opportunities for publishers to expand their business horizons. In France, for example, the denationalization of TFI which ended up in a bidding contest between Hachette and Bouygues, the giant construction concern, demonstrated the desire of publishers to diversify into other sectors of the media.

Moreover, the industry's trend toward consolidation will continue, analysts contend, as the sector becomes more global in nature.

So far, the Amsterdam stock market has witnessed the most bitter takeover

contest. But analysts do not believe the story has ended with the newly merged Wolters Kluwer. Mr. Christie believes Elsevier "will probably try to get hold of" Wolters Kluwer when its price comes down.

In the meantime, British publisher Robert Maxwell, who was rebuffed in his attempt to take over Harcourt, Brace Jovanovich in the United States, has been talking with the Elsevier chairman, Pierre Vincken.

Elsevier may be willing to sacrifice a bit of its independence to pursue its ambitions, analysts say. "Elsevier wants to be one of the major publishing groups in the world within the next 10 years," says Mr. Christie of James Capel. "Its management just might perceive Maxwell as the ship to tie itself to in order to achieve that."

Dutch observers say such a merger could create synergies in the scientific publishing activities of both compa-

nies while giving Mr. Maxwell a firmer foothold in the U.S. market.

But analysts warn that if Mr. Maxwell tries to use a merger to launch a Sunday newspaper in the Netherlands, as it has been reported, he is headed for failure.

"The Dutch people aren't waiting for a Sunday paper," says Fritz Moolhuizen, an analyst with Algemeene Bank Nederland. "Holland is a traditional country and I can't imagine it will work."

VNU, a consumer magazine publisher, could also find itself the object of another's desire. "It's fairly cheap and it will benefit from the continuation of consumer spending growth in Holland," Mr. Christie says. Moreover, he describes its magazines as "cash cows."

Takeover talk is also rife on the Paris Bourse. Jérôme Labin, an analyst with

Continued on page 10

## Getting In On Private Placements

By Cynthia Catterson

**I**NVESTORS who bought shares in the software company Aldus Corp. when it went public last June have little to complain about. The stock was originally offered at \$20 a share on the over-the-counter market and before long was trading above \$30.

Still, the 50 percent price gain pales in comparison to the returns earned by a handful of investors who bought shares in the company before the offering.

Three years ago, this select group responded to an offering made by invitation only, a so-called private placement that allowed the company president, Paul Brainerd, to raise capital for his infant firm without going public. Those lucky enough to be included purchased their stock at a mere 19 cents a share.

For small companies with little or no operating history, private placements are often the only way they can raise capital because the registration and underwriting costs are prohibitively high. In addition, some small firms prefer to keep the number of shares in the hands of few, so they can maintain control over the direction of the company and perhaps make a big offering a few years down the road.

"If you go public right out of the block, you give up half the company," explains Richard Fisher, who raised \$100,000 through a private placement last year for his company, Quadra Corp., which makes composite material used in the aerospace industry.

And for investors, the allure is obvious. "With private placements, the investor is invariably buying at wholesale prices rather than retail," says Rob Lawrence, vice president in charge of private placements at Citibank, "so there is an opportunity for superior appreciation."

To be sure, the vast majority of private placements involve institutional investors. Big companies typically issue private placements in the form of debt to diversify sources of funding or to keep a recapitalization confidential.

Yet, private placements are available to individuals, requiring a minimum investment of between \$5,000 and \$500,000. And some experts believe the number of such offerings will increase if the Securities and Exchange Commission goes ahead with a proposal to ease restrictions on private offerings to individuals.

Private placements can come in many forms, though limited partnerships are the most common deals available to individuals. Such an arrangement allows investors to pool their resources to meet the steep capital requirements.

Up until last year, most partnership offerings were struc-

Continued on page 11

## COLLECTING

### Stamps Are on the Rebound

By Alice Oshins



Australia's 1913 Kangaroo stamp.

**N**ew York If you put away your stamps during years of declining prices, now is the time to take a renewed look at your collection. The king of hobbies has come back full swing and is making up for lost time. All signs show that the market is up and heading further in that direction. Stephen Brabant, managing director of Stephen Walter, a London auction house, says prices in certain issues are already back to 1979 levels and higher.

"Prices have increased an average of 15 percent this year and many rare stamps are selling way above that," says Walter J. Mader, vice president of Robert A. Siegel Auction Galleries in New York. At the same time, Danny Judd, who runs an auction house in Sydney, Australia, sees nothing but "sustained improvement" ahead.

Stamps that were bringing in a fraction of their published catalogue prices last year are now fetching multiples of that value. For instance, Mr. Mader explains, the U.S. No. 1 five-cent Benjamin Franklin, which fell below its \$650 catalogue price to \$400 a year ago, now sells for as much as \$800.

At a March 1987 auction at Christie's in New York, a 1861 stamp from the Cape of Good Hope that was estimated at \$6,000 fetched \$20,900. And at another recent Christie's auction, a Mexican 20-cent Amalia Earhart commemorative sold at \$11,000; its estimated value was \$8,000.

The turnaround came none too soon. Stamp prices soared to record highs in 1980 as investors sought tangible assets in the face of rising inflation. But when financial markets began to show new vigor as inflation ebbed, investors abandoned the stamp market.

"In 1980, we ended the year with sales of \$18 million and in 1982 we finished with \$10.5 million, with no decrease in volume," Mr. Mader explains.

Frightened concern about inflation and a widespread desire among investors to diversify their portfolios now that the rally in financial markets has entered its sixth year are credited for the improvement in the stamp market.

"When a country's economy signals inflation, people tend to go to tangible items such as stamps," notes John Dunn, educational director at the Philatelic Foundation in New York



The biggest stamp markets can be found in Japan, Britain, the United States, West Germany and the Netherlands. These countries have the biggest population of collectors who lend support to the marketplace. But more recently, collectors in the Arab states and in Australia have also become forces to be reckoned with.

Mr. Judd believes Australia's Kangaroo series, which ran from 1913 to 1936, is a good example of the type of stamp investors should be studying. He notes that the 1913 £2 black and red kangaroo, which sold for 5,000 Australian dollars a year ago, is now worth twice that amount.

Regardless of their attractiveness and apparent age, not all stamps are considered investment-grade. In general, Mr. Mader says demand is biggest for classic stamps of the world. These are first issues dated before 1900.

Rarity is another important factor, and here is where misprints and other errors can significantly raise the price of a stamp. The first U.S. airmail stamp issued in 1919 with the airplane mistakenly inverted in the center — only 100 were printed — can fetch as much as \$140,000.

Jacques Robineau, an auctioneer in Paris at J. Robineau & Co. in Paris, expects the 1849 one-franc Vermillion to be selling this year for about 10 percent above its 1986 price of 65,000 francs. The stamp, one of the first issues in France, is a product of faulty color mixing. It should have been printed in a darker shade of red. Mr. Robineau estimates no more than 2,000 were printed.

But investors should keep in mind that not all errors are valuable. A 1962 yellow Dag Hammarskjöld "invert," issued by the U.S. government to commemorate the secretary-general of the United Nations, goes for no

more than its face value because the government continued to produce it even after the error was discovered.

Higher denomination stamps appreciate faster than the smaller denominations. The most obvious case is that of the U.S. Graf Zeppelin, a series issued to commemorate the 1929 World Columbian Exposition, is priced over \$10,000 in very fine. One that is in less perfect condition will fetch \$1,500.

But buyers beware. Before you lay out large sums of money, it is best to have a stamp evaluated by an expert. To an untrained eye, repairs and improvements are difficult if not impossible to detect. The Philatelic Foundation says about 15 percent of the 15,000 stamps it studies each year have been altered in some way to enhance the value.

"It's not like art where improvements are okay. A stamp that is reprinted or reperfected will generally decrease by 5 to 10 percent of catalogue value," says Mr. Dunn.

Moreover, counterfeiting is pervasive and very skillful. In fact, works by two well-known counterfeiters, Jean de Sperati and François Fournier, frequently fetch higher prices than the genuine stamp. "They were highly skillful and are more representative of a defining art," says Mr. Dunn.

Sperati, an Italian who moved to Paris, was a lithographer in the first half of the 20th century. He claimed his redesigns of ordinary stamps from around the world were not counterfeit but were works of art.

Peter Robertson, curator at the Philatelic Foundation, says Sperati's works were so skillful that many of them have not been identified. Although if they are genuine Speratis, they are worth between \$400 and \$500.

Fournier, on the other hand, counterfeited an issue at the turn of the century using lithography. His work does not sell for as much as that of Sperati. It is also more obvious imitation.

1933 Falkland Islands centenary issue.



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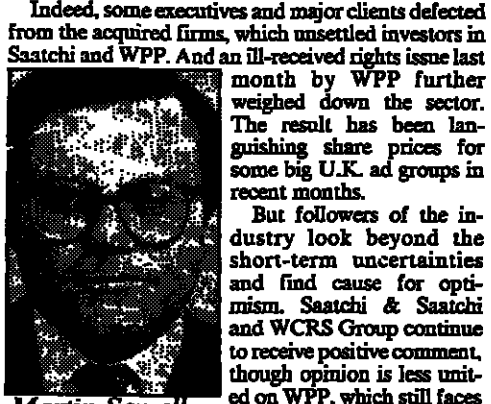
BOURSES

Sizing Up Britain's Expanding Ad Agencies

Beyond turmoil of takeovers, trends are positive.

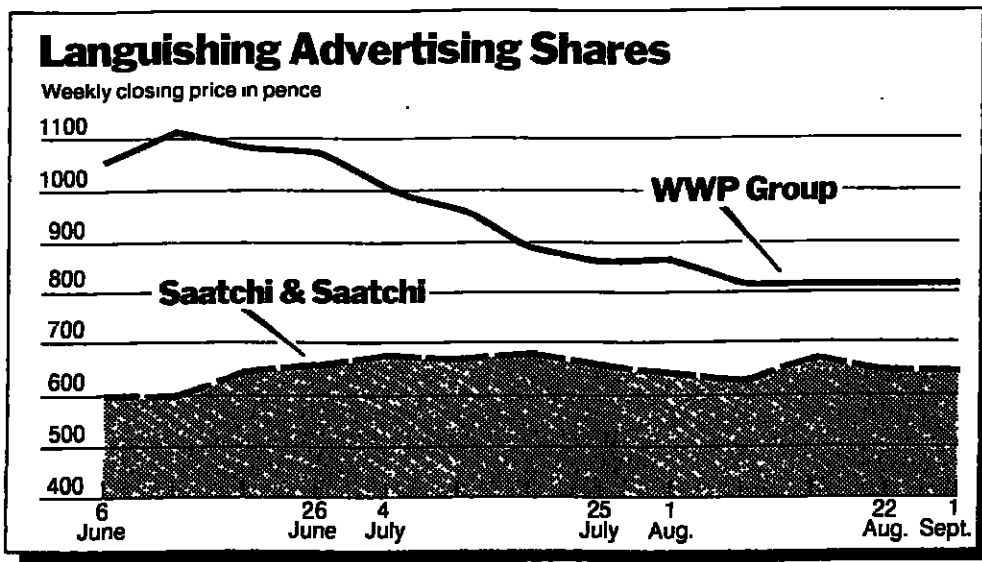
By Marybeth Nibley

IN the advertising world, 1987 seems destined to go down as the year of the British U.K. heavyweights like Saatchi & Saatchi, WPP Group and WCRS Group...



Martin Sorrell, WPP's chief executive, says the expansions arise from "clients' needs in terms of their complexity and geography."

Indeed, some executives and major clients defected from the acquired firms, which unsettled investors in Saatchi and WPP. And an ill-received rights issue last month by WPP further weighed down the sector.



agencies and specialty firms. Some of these services are growing much more quickly than traditional advertising, reports Mark Sheppard, an analyst at Phillips & Drew in London.

Saatchi & Saatchi is an example of the twin themes of globalization and diversification. According to Advertising Age, an industry magazine, Saatchi's buying binge helped it become the No. 1 advertising group last year, with 1986 worldwide gross revenue of \$1.2 billion on billings of \$8.26 billion.

The acquisition route has not been smooth. Clients were lost because another Saatchi-owned agency was handling a rival's account or out of concern about personnel changes. But Luke Johnson, analyst at Kleinwort Greaveson & Co., says the worst is over.

Forecasters of Saatchi's pre-tax earnings in the fiscal year ending Sept. 30 range from \$117 million (\$187.2 million) to \$120 million (\$192 million), up more than 67 percent from a year earlier. Estimates of fiscal 1988 earnings run as high as \$139 million.

Saatchi already claims about 5 percent of the industry's billings worldwide, according to Advertising Age figures. The company has set its sights on grabbing 10 percent of global billings.

Mr. Millar aims to expand consulting revenue to about 50 percent of Saatchi's total revenue from the current 15 percent share. Two small, fast-growing firms, Cleveland Consulting and Litigation Sciences Inc., were purchased earlier this year, and more acquisitions are expected.

Another firm on many recommended lists is WCRS Group, whose flagship agency is Wight Collins Rutherford Scott. Through the acquisition of Delta Femina, Travissano & Partners and HBM/Creamer, WCRS stands to do well in the United States.

Mr. Sorrell says new business should more than offset the defections. "This period of assessment is a natural one," he says. The naming of a former top JWT executive, Burt Manning, as J. Walter Thompson's chief executive officer should help convince skeptics of WPP's commitment to quality, Mr. Sorrell says.

Chris Akers, an analyst at CIBC Securities Europe Ltd., remains positive about WPP. Helped by stricter financial controls, JWT's profit margins should expand to 10 percent by 1988, he says, and management changes at its Hill & Knowlton publication relations subsidiary should help profitability.

He estimates WPP's 1987 pre-tax profit will be just over \$12 million, including a five-month contribution from JWT, and earnings in 1988 could double.

Several other firms with lower profiles attract positive comment from analysts. One is Lowe Howard Spink & Bell, which gained entry to the U.S. market through acquisition of Lowe-Marchall. The parent company has holdings in Europe, Australia and Canada.

Boase Massimi Pollitt is admired for its creative strengths. It bolstered its U.S. presence with the acquisition of Ammirati & Puris Inc. in New York. Among more specialized agencies, Davidson Pearce Group, Lopex, Charles Barker and Adkins Consultancy Group have loyal followings. In the public relations field, analysts give Shandwick and Valin Pollen International high marks.

One small agency that has attracted attention is Yellowhammer, which is moving to full London Stock Exchange listing from the Unlisted Securities Market.

They should be a great beneficiary of all the client will rise to 145 francs in 1987, from 121 francs in 1986.

In Italy, meanwhile, investors continue to track the family dispute that flared last spring following the death of Mondadori's chairman, Mario Formenton.

At stake is the future control of Italy's leading publisher of books, magazines and newspapers. But the big prize, of course, is control of La Repubblica, Italy's leading independent newspaper, which is 50 percent owned by Mondadori.

The struggle has even involved the Italian financier, Carlo de Benedetti, and the Italian television mogul, Silvio Berlusconi, both of whom have been buying up shares in a holding company that owns half of Mondadori's stock. Analysts say apparently each is betting on different sides.

Analysts say a showdown could still be a year or two away, but Alessandro Valeri, an analyst with Sigeon Milan, does not believe battle for control will affect the company's financial outlook. "The power struggle is at the level of ownership, while the man-

agement is free to care about the business," he says. Kenneth Cox of Murray Johnstone, a fund manager in Glasgow, is very keen on Mondadori's future. He expects a 37 percent growth in earnings from 1986 to 1987, confirming a turnaround from 1984 when the company posted a net loss.

In West Germany, Axel Springer Verlag AG, the giant West German multimedia company that publishes Bild and Die Welt, has also won attention. But after some summer excitement following its decision to close its failing entertainment weekly Ja that was launched last spring, analysts are decidedly less enthusiastic.

"Their growth of 1986 will not be repeatable," says Rainer Decker, an analyst with Commerzbank in Frankfurt. "They will now grow only in proportion to sales." Springer's 1986 earnings grew 28 percent, to 30.9 Deutsche marks, from 24.2 marks in 1985. Mr. Decker is projecting 33 marks in 1987 and 35-36 marks in 1988.

With a price-earnings ratio of more than 20, Mr. Decker admits Springer stock is not cheap. "But it's the only media stock in Germany."

Continued from page 9

Paris stockbroker Jean-Pierre Pinaton, notes that Hachette, which lost out in a bid for TFI earlier this year, still has 3 billion francs available for acquisition or startups.

Hachette already owns radio station Europe 1 and recently began talks to buy Radio Monte Carlo. There is also talk that the publisher may launch a national color newspaper.

"Buying Hachette is not a way to make a quick buck," Mr. Labin says, "but for the short and medium term, Hachette will emerge as among the five big names in Europe." He predicts per share earnings

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BOUSES

W Germany's High-Flying Retail Stocks

Gail Schares

CONSUMERS in West Germany are on a buying binge, a trend that has sharply higher prices for retail consumer-goods shares. Though some issues already overpriced, selected shares will likely outperform the market in the next six to 12 months, analysts say.

"The retail stocks are very expensive, but this is the only area where earnings are still rising," says Jens Ehrhardt, publisher of Munich-based market newsletter Finanzwoche (Finanz Week).

The prospect of wage increases and a 14.5 billion Deutsche mark increase in the consumer price index next year is behind the consumer spree, says Stephan Oster, a fund manager at Baring Fund Managers - London. "The consumer and retail sector has the soundest fundamentals in the market, he says.

Private consumption soared 2.3 percent in the second quarter, placing exports as the economy's driving force, according to government figures. Consumer spending in 1987 is expected to rise by a comfortable 3.5 percent. Forecasters say the spending should continue into 1988, when tax cuts take effect.

The weak dollar, which has battered West German industrial exporters, is another argument in favor of these domestically oriented shares. "Retail is the only sector in the German market which is almost totally sheltered from exchange rate fluctuations," notes Andrew Thomson, analyst with Kleinwort Greaveson in London.

A beneficiary of such thinking has been Hessel Holdings, whose share has risen from 520 DM in June to nearly 700 DM lately. Starting with a group of small confectionery shops in 1968, Hessel now operates 16 chains with 825 retail outlets. The outlets include a perfumery, discount drugstore, book and magazine shops, sports stores and jewelry stores.

Management puts strong emphasis on location, service and the appearance of its stores, says followers of the company, a strategy translating into hefty, durable profit margins. Hessel "sticks to its concept very successfully," says Joseph Rooney, an analyst with James Capel & Co. in London. "It's a superior stock people can put away for any length of time."

Hessel's lofty share price prompts even some admirers to advise waiting for a correction before buying. But other observers say the stock is still attractive, given the momentum of consumer spending and the company's expansion plans. The Hagen-based company has announced plans for further acquisitions in West Germany and expansion into France and Italy.

Analysts expect a steady 12 to 15 percent improvement in Hessel's earnings in 1987 and in 1988. The company has



Shoppers outside Korstadt in Munich.

said it is likely to raise its dividend again in 1987, following a boost to 9 DM a share in 1986.

Another beneficiary of the consumer boom is Hugo Boss, a menswear manufacturer that is booming back from the announcement earlier this year of lower-than-expected 1986 earnings. Some followers of the company have concluded that last year's earnings were somewhat understated because Boss took advantage of new accounting rules. Under European Commission regulations that took effect last year, Boss was able to tack away hidden reserves through changes in the method of valuing its inventory.

Boss's top management has said repeatedly since news of the disappointing results that earnings strength has not diminished. "We fully used the opportunities presented to us by the new accounting methods," says Konrad Jund, managing director. "We were one of the first companies to

use the new method, and the market reacted a little nervously."

Boss's sales jumped 39.6 percent in 1986 to 430 million DM, while earnings per share rose only 12 percent. But one West German bank analyst ventured that a look at unadjusted, internal figures would show that profits are still growing faster than sales.

Other analysts are circumspect. "I'm not so sure it's a long-term growth issue," says Mr. Ehrhardt. "Its success depends on how well they anticipate fashion trends."

Boss is not without its problems. Several years of rapid growth brought the company to the point of saturation in the West German market, threatening its exclusive name. In June, it announced plans to cut 60 retail outlets, about 8 percent of its distribution network in West Germany.

The challenge for Boss now is penetrating foreign markets to maintain growth. Although the company is moving aggressively into other European countries, the United States and Canada, analysts said the transition to an international fashion house will be no easy task.

Even Mr. Jund cautions that the company's growth is unlikely to continue at over 30 percent a year. "Once you're over 500 million DM in sales, 30 percent growth is too fast for the organization to handle carefully," he said. "We would be happy to see growth slow a little."

From a low of 1,610 DM earlier this year, Boss's stock has bounced back to about 2,100 DM, but the price-earnings ratio of 22 is still lower than the average multiple of 25 to 30 for the retail sector. The stock is thinly traded and somewhat volatile.

"Fundamentally, Boss's stock is in order. It's a good buy between 1,900 DM and 2,000 DM per share," says Walter Heinemann, an analyst with Bankhaus Merck Finck & Co.

West Germany's big department stores, Kaufhof and Karstadt, get mixed reviews. Both are benefiting from a decade of restructuring and diversification after losing ground to discount houses and specialty chains during the 1970s. Their turnaround potential combined with the boom in consumer spending bodes well, but their stock prices are already up sharply.

"The biggest expectations for these stocks have already been fulfilled," says Iris Ullmann, an analyst with Oppenheim Finance Analysis in Cologne. The shares trade at about 30 times earnings.

Some analysts, though, note that Kaufhof and Karstadt have hidden value in their real estate holdings. Kaufhof owns about 90 percent of its buildings, most of which are located in prime downtown properties, while Kaufhof owns about 63 percent.

A fast-growing alternative to the department stores is discounter AVA. Its stores sell building, hobby and garden supplies, and shoes, electronic goods and health care products. It also operates supermarkets.



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Lure of Private Placements

A chance to invest at wholesale prices.

Continued from page 9... tured to take advantage of tax write-offs, like those associated with real estate investments. But the 1986 tax reform changed that. "Private offerings must now be economically viable rather than tax driven," says Gerry Ronayne, vice president and senior banker at Morgan Guaranty Trust Co.'s private banking division. "Now the organizations' putting these deals together have to be more innovative and aim toward real return."

The emphasis on income has also meant that more offerings are finding their way abroad, with foreign banks and money managers steering deals to selected clients. A good example of the new trend was a partnership put together last year by E.F. Hutton to buy 10 hotels from the Ramada Inn franchise. Hutton borrowed \$54 million and raised \$37 million in capital from investors who each put up about \$60,000 per unit, according to Tim Clarke, an associate in the firm's direct-investments division.

The private partnership, he says, provides enough capital to cover the interest expenses for the loan and generates income for investors. Investors have already received a quarterly distribution of \$1,500 since the deal closed in March, he says, which would be equal to a 10 percent return for the year. In addition, he says, depreciation allowances for the properties lowers the taxes investors must pay on the partnership income. Mr. Clarke says the partnership will attempt to become public in about four years, at which time, investors should be able to sell their shares without liquidating the entire partnership.

Another example are so-called marketing partnerships like one organized by Daleco Research & Technology, a venture capital firm. Daleco has raised more than \$2 million in a private marketing partnership to help a small drug

firm, Zila Pharmaceuticals, market its new product, Zilactin.

The partnership, which was sold in minimum \$15,000 units, is structured to share in 10 percent of the company's gross earnings. Michael Dale, executive vice president of Daleco, says the two-year-old partnership so far has had three cash distributions, equivalent to a 10 percent return. He estimates the average return will more than triple as the product, a treatment for cancer sores, further penetrates the market-place.

Meanwhile, Morgan Bank, which began showing selected placements to its private clients last year, is putting together a private partnership to help a motion picture company finance the distribution and advertising of three completed films. Morgan declines to reveal the name of the film company because the offering is still open to investors.

Investors, who are required to put up a minimum of \$250,000, will share in the ticket receipts within the first two months of the films' first distribution. The first film is scheduled to premiere in November. Private placements can be arranged by anyone — lawyers, investment advisers, private banks and large retail brokerage firms. But because of their very private nature, many investors may never hear of one. Advertising or solicitation during an offer can cost the deal its private-exemption status. Therefore, investors interested in private placements must make themselves known to the bankers, brokers or entrepreneurs who are likely to be aware of private offerings.

Still, not everyone qualifies. Under Regulation D of the Securities and Exchange Commission, private placements can be offered to an unlimited number of "accredited" investors, those who have a net worth of \$1 million or annual income of \$200,000. These individuals, it is assumed, are sophisticated investors who are capable of evaluating the viability and risk of a private issue or can hire someone who is knowledgeable enough to weigh the proposal. No more than 35 unaccredited

investors can invest in a private placement, and some states have restrictions on the suitability of these investors. In North Carolina, for example, unaccredited investors must have a net worth of \$200,000, exclusive of cars, home and home furnishings, or a net worth of \$60,000 with an annual salary of \$60,000.

The SEC is considering widening the qualifications. One proposal under study would allow more credit unions and savings and loans associations to invest in private placements. Moreover, a two-income family with combined earnings of more than \$300,000 would qualify as accredited investors. This is the so-called "yuppie" exemption.

The most controversial aspect of the plan is to ease the restrictions on the size of a private offering without requiring sponsors to furnish information about the deal to investors. Currently, sponsors can raise a maximum of \$500,000 without spelling out what they intend to do with the money, or even notifying regulatory authorities.

The SEC is expected to announce its decision sometime in late autumn. INVESTORS are entitled to a written business plan or offering memorandum. This document must disclose "all material information that would affect the investment decision of a reasonable man," explains Frank Haden, staff attorney at the securities regulation office in Georgia. But the requirements are decidedly less rigorous than those for a public offering.

"The exemption from registration means the issue does not have to go through the review process," says Wayne Howell, Georgia's deputy secretary of state. "If they lie, cheat or steal in the offering, we can still take action against them," he says. A common type of fraud, according to Martin Cordell, securities examiner of the state of Washington, is the so-called pyramid scheme, in which individuals who invest early on in the deal are paid dividends with money raised from subsequent investors. The majority of the funds end up in the sponsor's pocket.

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New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Euro-Linked.

BUSINESS ROUNDUP

Westmark to Acquire Tracor for \$694 Million

By Thomas C. Hayes... Westmark Systems Inc., a technology holding company headed by Bobby R. Inman, has agreed to acquire Tracor Inc., a military-electronics company, for \$694 million in cash.

five countries and sales of \$632 million in 1986, recently entered this field, for both military and commercial applications. Its main business is in products and services for anti-submarine warfare.



Bobby R. Inman

Stock Exchange. Its previous high had been \$28.375 in early 1985. In a telephone interview, Mr. Inman said Tracor fitted Westmark's goal of acquiring a few large, diversified electronics companies to which smaller, specialized companies could later be added.

Kodak Rewards Shareholders

NEW YORK — Eastman Kodak Co., riding the crest of its record earnings and strong sales gains last quarter, has declared a 3-for-2 stock split and raised its quarterly dividend by 7 percent.

\$101.75 on the New York Stock Exchange. The stock gained almost \$7 a share for the week. "They're doing well and they wanted to make that point," said Peter Enderlin, an analyst with Smith Barney Harris Upham & Co.

375,000 Units at \$8.00 (1 share + 1 warrant)

Mr. Inman, who resigned from the CIA in 1982 to become the first president of Microelectronics Computer & Technology Corp., a research consortium in Austin, left that post last January for Westmark.

EPITOPE INC.

The above shares have been placed privately with European institutional clients of

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Maxwell Said to Target Guinness Peat

LONDON — Robert Maxwell, chairman of British Printing & Communication Corp., has joined the battle for control of British financial services group Guinness Peat Group PLC, according to a newspaper report Sunday.

used at £118 million, to add to the 2 million shares that the paper said he had already built up in Guinness Peat. Mr. Maxwell's existing stake represents a very small portion of Guinness Peat's shares.

San Pellegrino Takes Coca Cola to Court

MILAN — The soft drinks producer San Pellegrino SpA says it has begun legal action in Italy against The Coca-Cola Co., a unit of Coca-Cola Co., and 27 Italian bottlers, alleging unfair competition.

EUROBONDS: Prices Fall on U.S. Trade Data, but Dealers' Nervousness Prompts Buying

(Continued from first finance page) hundreds of a percentage point, over comparable U.S. Treasury notes.

Commission and General Electric Credit Corp. It is not only the dollar straight sector where investors are generally cautious. A few weeks ago only the Japanese would have understood the word *waltz*.

lighted the practice by announcing losses of more than 20 billion yen in financial trading, exceeding its own net worth. The news sent shock waves through the yen and equity-warrant sectors of the Euro bond market, as traders anticipated loss announcements from other companies.

The Euroyen market suffered as Japanese domestic bonds fell, but Nomura International Ltd. judged that trading had calmed down enough by Thursday and launched its 50 billion yen deal for the World Bank — the week's most significant new issue.

The bond pays 5 1/2 percent over five years and was priced at 101. The yen market had not seen a conventional new straight issue for over two months and Nomura said it was pleased with the reception the offering received.

prices dropped in Tokyo. By the end of the week some warrants were nursing losses of well over 20 percent. But this did not stop the new issues from coming.

It was only the equity-warrant sector that prevented last week from being the quietest since the year began.

Many other Japanese firms are known to be eager to arrange cheap financing by issuing equity-warrant bonds. Market sources say that among them are Canon Inc., with two bonds totaling \$500 million, Bridgestone Tire Co. and Sumitomo Electric Industries.

U.S. Securities Wizards Seek Way to Turn Latin Debt to Gold

By Leslie Wayne... NEW YORK — Wall Street's investment bankers are in a head-long race to find gold in the \$400 billion Latin American bank debt. No less a financial wizard than Michael Milken, who created the junk bond market for Drexel Burnham Lambert, is turning his attention to this challenge.

The notion is that Latin American loans now on the books of commercial banks can be packaged and sold to investors as high-yield, high-risk securities, just as the credits of unrated corporations were turned into junk bonds and household mortgages were transformed into mortgage-backed securities.

repackaged into a security that can be sold in the market. The return to the investor, then, depends on the country's ability to repay the debt. The packages could represent the debt of one country, or many. The security could be backed by a specific Latin project or by a group of loans.

Most investment houses are reluctant to talk about their attempts to securitize Latin debt. But all say they are committing more people and more money to this area.

At Shearson, for instance, Mr. Gallatin, the inventor of money-market preferred shares, which is a financial instrument giving corporate treasurers low-tax, short-term returns, directs a team of more than 25 people who are trying to design a securitized loan product.

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Table: Latin Debt and its Price in the Market. Columns: Country, Government debt owed to U.S. banks, Price of debt in the secondary market.

Table: SELECTED U.S./U.K. QUOTATIONS. Columns: Security Name, Bid, Ask.

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Advertisement for Capital Strategy Fund Limited. Includes a portrait of a man and text describing the fund's services and contact information for Gartmore.

Advertisement for Hagemeyer nv. Includes a report for the six months ended June 30th, 1987, showing consolidated net profit and turnover growth.

security backed by credits that are barely understood, unstable politically and whose repayment schedule has been erratic at best. Such thoughts, however, barely faze Wall Street technicians, especially Mr. Milken.

Table: U.S. Consumer Rates. Columns: Rate Name, Rate.







PORTUGAL: Spending Fuels Boom, Inflation Fears

(Continued from first finance page) 5 percent, and food consumption, up 11 percent. The August unemployment rate was 8.5 percent, down from 10 percent in July.

The upward swing in economic indicators has not eliminated fears about the economy. Some economists, politicians and government officials fear the rapid growth might fuel inflation. And foreign debt remains at \$16 billion, or 60 percent of gross domestic product, the total output of goods and services, minus income from operations abroad.

The government is worried enough to try to restrain consumption by tightening restrictions on credit purchases, and there is also talk that interest rates should be allowed to rise.

One American analyst said that the government had a long list of do's and don'ts to consider before lasting changes are realized.

"The public sector is a real drain on the economy and must be cut, and the government wants to do it by privatizing," he said. "That's easier said than done."

"The international climate is not going to be favorable; oil prices will rise," he said. "The government wants to reform labor laws and revive an agriculture sector that is in very poor shape, but that would lead to unemployment when the prime minister has said he would lower it. There is a real challenge ahead for the government."

Others, including opposition leaders, say that because the economy had been in such bad shape, there was only one way to go—up. They say the improvement is based largely on external factors, such as a large subsidy from the European Community, and ignores structural problems and weak areas such as agriculture.

However, Prime Minister Anibal Cavaco Silva, an economist and supporter of free-market principles, said he was pleased by the

rapid growth and he predicted the good times would continue. "With controlled progress, we will see the deficit, inflation and the balance of payment," he said in an interview. "Inflation is below 10 percent for the first time in 12 years. We want it down to 6 percent next year."

Officials of Mr. Cavaco Silva's Social Democratic Party acknowledge that it has been the beneficiary of an economic turnaround that began two years ago when an as-

sembly program sponsored by the International Monetary Fund was lifted. The economy has also been aided by the falling dollar, favorable exchange rates and declining oil prices.

The prime minister acknowledged that consumer spending could fuel inflation. He also expressed concern about "unforeseen external world forces" that could affect Portugal.

Still, his government has forecast that growth will exceed 4 percent this year, while the forecast from the Organization for Economic Co-operation and Development puts the figure at around 3 percent.

Some critics fear the government ignores the possibility that the economic figures could be deceptive.

"Things look good, but the structural situation is not so bright," said Joao Crimbeo, a Socialist member of parliament.

"There is very little job creation; there is a big increase in the num-

ber of people hired short-term and fired by employers, and women workers are declining," Mr. Crimbeo said.

"A lot of EC money, external money is helping to push the economy along," he said, referring to the EC subsidies. "It's like if you have a car that's going downhill. If there are people outside pushing it, you have the feeling you're going somewhere."

An official at the Bank of Portugal, less optimistic than the bank's own reports, said that the 1983 accord with the IMF was severe but instrumental in turning the economy around.

"That was also the year we got a great infusion of funds from the EC for agricultural and social programs, and there was an immediate change in the mentality of people," the official said.

"For years it was looked upon as a crime to earn a lot of money. Capitalists were seen as bad people. But since 1983, a new wave of private initiative has hit," the official said.

"The stock market has gone mad; many enterprises have opened to the private market; young, ambitious, competitive entrepreneurs who want to be rich now, a new attitude, are doing a lot of things, and our financial system developed quickly, like an earthquake in the past two years."

But, he said, "Public administration is poorly organized, new technologies will be disruptive, our communications need to be improved, roads and harbors to distribute goods are inadequate, we've got to develop new industries."

He added, "Our middle class is growing, but it is different from that in the rest of Europe."

"It doesn't have as much purchasing power, it's not yet as sophisticated and not used to so many material things being available. Consumption is a new phenomenon."

EC Aide Says U.S. Is Far From Solving Trade Deficit Problem

Sir Roy Denman, the head of the European Community delegation to the United States, is considered to be one of the world's foremost experts on trade. In an interview with the International Herald Tribune, he comments on the record monthly trade deficit reported by the U.S. on Friday.

Q: Why is the U.S. trade deficit still setting records after the steep fall in the dollar?

A: The fall in the dollar has helped the trade balance in real as opposed to nominal terms, but not as much or as quickly as expected. Americans appear to have developed a taste for foreign goods and many foreign exporters have shaved their margins to maintain their market share. So the trade deficit in 1987 will probably continue to be substantial.

Q: Is there an end in sight? A: President Coolidge was once asked whether it would ever stop raining. "Al-ways has," he replied.

Q: What about the deficit in manufac-

tured goods? Are there any encouraging signs?

A: Not many. Too much reliance should not be placed on short-term figures. But so far this year imports of manufactured

MONDAY Q&A

goods have remained consistently high with an upward trend. Exports, after a strong first quarter, have leveled off.

Q: Is there any sign of hope from the declining Japanese surplus?

A: One should not be too jubilant over short-term figures. Japanese figures for August show a fall in exports to the U.S. of 1.6 percent, compared with a year earlier, while imports increased by 28 percent. U.S. July figures show no change in imports from Japan compared with June. There is no conclusive evidence as yet of a continuing decline in the Japanese surplus.

Q: What should the United States do? A: There is a general consensus in Washington, as Clayton Yeutter, the U.S. trade representative, and others have often said,

that one major factor — some would say the major factor — is the need to reduce the budget deficit.

Q: Is it all this welcome or unwelcome news for the partners of the United States, who want to sell to the American market?

A: Increased exports to the American market are always welcome to the United States' trading partners. But looked at politically, the fact that the turnaround in the U.S. trade balance is taking longer than expected cannot be good news either for the United States or its partners because it encourages protectionist sentiment.

Q: Is it not then in the interest of U.S. trading partners to expand their own economies to attract more American exports?

A: As far as the European Community is concerned, we think we are a pretty open market. In 1986, the 12-member European Community was the biggest trading partner of the United States, taking \$53 billion of U.S. exports, compared with \$45 billion to Canada and \$27 billion to Japan.

Nor do we think that the community is a stumbling block in the growth league. What we



Sir Roy Denman

are aiming at in the community is stable and sustained growth rather than a "quick fix" in terms of artificial stimulation of demand with unhealthy side effects.

EMS: Ministers Strengthen Policy on Central Bank Support for System's Weaker Currencies

(Continued from Page 1) been limited because the central bank is allowed to hold more than small amounts of another's currency.

This weekend's accord foresees that in the future a central bank with a weak currency will in principle be able to borrow sizeable though limited amounts of a strong currency — such as the West German Deutsche mark — from the central bank that issues it.

The central banker from a weak-currency country would then sell the strong currency to limit its rise against his domestic unit before the exchange rate hits its obligatory EMS intervention point.

The agreement to make such loans is hedged around with condi-

tions to ensure that the Bundesbank, West Germany's central bank, does not suffer any significant loss of control over the amount of marks in circulation. A large increase in sales of marks would increase the domestic money supply and tend to cause higher inflation.

The philosophy behind such preemptive intervention, participants said, is that it is cheaper than waiting until speculation against a currency has gathered momentum.

Kurt Otto Pöhl, the Bundesbank president, stressed that there would be no obligation for central banks to make such loans to each other.

Yet some officials were optimistic that the Germans would take a

generous view of the accords behind the scenes.

"There's every indication the Germans want to be quite flexible," said one high-ranking EC monetary source.

That could mean, for example, more frequent adjustments of short-term interest rates in West Germany to influence the position of the mark — traditionally the strongest EMS currency — against other currencies in the system. A rate reduction, for instance, would tend to weaken the German currency.

Jacques Delors, president of the EC Commission, said he saw greater coordination of interest rate policies as an important element in maintaining exchange rate stability.

The aim is to narrow differences in economic performances that give

rise to exchange rate divergences in the first place.

During Saturday's discussions, participants noted, France had also called for more far-reaching EMS reforms that would have led to an effective dilution of West Germany's powerful position within the currency loop.

■ No Change by U.K.

Britain's chancellor of the Exchequer, Nigel Lawson, said Brit-ain should become a full member of the EMS, but said the issue was still under review.

In reiterating Britain's recent stance on joining the EMS exchange-rate mechanism, he said the improvements to the system agreed on Saturday were welcome.

Mutual Funds

Figures as of close of trading Friday, Sept. 11

NEW YORK (AP) — The following quotations, compiled by the National Investment Company of Securities Dealers Inc., are the prices of which these funds could have been sold (Net Asset Value) or bought (Sales Charge) Friday.

Table of Mutual Funds with columns for Fund Name, Type, and Price. Includes funds like AARP Funds, American Mutual Funds, and various international and domestic equity funds.

Table of Mutual Funds (continued) with columns for Fund Name, Type, and Price. Includes funds like Bond Funds, Money Market Funds, and various international and domestic equity funds.

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WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

After a week start, the Amsterdam Stock Exchange made a cautious recovery last week.

Investors seemed to have grown accustomed to the low dollar and a slight increase in interest rates. The ANP/CBS general index, which had closed at 309.2 the previous week, closed at 313.5 on Friday.

Kempen & Co., stockbrokers in Amsterdam, said the uptrend in the second half of the week had a very weak basis.

The volume for the week totaled 6.14 billion guilders, up from the previous week's 5.34 billion.

Frankfurt

The Frankfurt stock market overcame a slow start last week, and the Commerzbank index closed 13 points higher for the week, at 1,974.2.

The dollar's move back above the 1.80 Deutsche mark level for a time and the hope for a narrowing in the U.S. trade deficit in July, a hope that was dashed on Friday, helped support the market.

The week's volume was 16.45 billion DM on the eight West German stock exchanges, against 18.62 billion the previous week.

Auto stocks were irregular, with BMW losing 17 to finish at 753 DM. Daimler, which announced on Wednesday it will acquire a holding in Mats, up 29 to 1,100; and VW up 5 to 399.50. In pharmaceuticals, Schering rose 9 to 609 DM, while metals company Mannesmann added 7.50 to close at 174.

Hong Kong

The Hong Kong Stock Exchange stepped to a new high last week after a three-day selling spree.

The Hang Seng Index beat its week-old record by 6.02 points, finishing at 3,660.50. Average daily turnover was 2.29 billion Hong Kong dollars.

Profit-taking rocked the market Monday through Wednesday, but after the Hang Seng dipped below the 3,600 barrier, dealers came out in force looking for bargains.

The bull run failed to move blue chips upward. Cathay Pacific closed the week 10 cents down, to 8.20; China Light lost 70 cents, to

26.30; while HK Bank, closing at 10.80, fell back 10 cents.

London

Shares and gilts in London were unsettled last week by a strong wave of rights issues in Britain and by fears that U.S. interest rates might have to be lifted again.

Equities, however, made a partial recovery toward the end of the week. CMCs received late support from the pound's strength.

The release on Friday of U.S. trade figures for July, showing an record deficit, dampened sentiment, but Wall Street's robust reaction reassured investors.

The Financial Times industrial share index closed down 18.3 points on the week, at 1,763.8.

Life insurance company Equity & Law was boosted by a takeover bid from France's Compagnie du Midi, although the offer was quickly rejected, as was a previous bid from a New Zealand financier, Ron Brierley.

Milan

Milan stocks fell back an average 0.71 percent last week to bring total losses since the start of the year to 16.6 percent.

The Comit. Index closed at 603.12, after the previous Friday's 607.72, while the Milan Stock Exchange Index lost 6 points, to finish at 834.

Bourse authorities provisionally estimated trading value to have declined by about a fifth over the previous week, and said volume was also sharply down.

Interest focused on Montedison and the conditions it would announce concerning its takeover of the pharmaceutical group Fermitalia Carlo Erba. Montedison lost 1.72 percent over the week.

The Paris Bourse moved a bit lower last week, particularly because of the rise in U.S. interest rates, but dealers said share prices resisted well.

The CAC index finished the week at 431.9, compared with 435.9 the previous Friday.

Many analysts said that despite the week's small drop, the bourse seemed rather optimistic, as prices

have returned to what are seen as reasonable levels after a sharp drop earlier this year. British analysts continue to recommend French shares.

Thursday saw the inauguration of the long-awaited market in negotiable stock options, known as the MONEP, initially including only three stocks: Lafarge, Peugeot and Paribas.

Share prices firmed on a quiet Singapore stock market last week. The Straits Times industrial index recovered 53.03 points to 1,466.11, while the SIF all-share index added 11.02 points to 391.07.

The market opened the week higher on bargain hunting and short covering. Gains were made across a broad front, recovering some of the losses suffered in a recent sharp correction.

Trading volume, however, fell sharply to 17.6 million units as investors monitored a new immediate settlement and delivery system introduced Monday.

The same irregularity was noted in insurance stocks, with Compagnie de Reassurances off 400 to 17,900, but Zurich Insurance Co up 75 to 7,775, and in industrials, where Saurer added 79 to 430, but Fischer dropped 75 to 1,600.

The Quarterly Report as of 30th June 1987 has been published and may be obtained from:

Pierson, Heiding & Pierson N.V. Herengracht 214, 1016 BS Amsterdam

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SPORTS

Navratilova Routs Graf in U.S. Open Final

By Roy S. Johnson
New York Times Service
NEW YORK — Bit by bit, Steffi Graf's once seemingly impenetrable armor was chipped away...

claimed that she had earned the right to be called No. 1 once again. For Graf, the defeat was only her fifth in the 112 matches she has played since April 1986...

Like Shriver and McNeil, Navratilova sought to exploit Graf's weakest shot, the backhand, by slicing her approach shots and charging the net. That forced Graf to win through placement rather than power...

coming in. That's the way she plays, and she didn't make many errors. The match was 47 minutes old when Navratilova closed out the first set with a service winner...

earning it; Graf missed a cross-court try and fell behind, 5-1. Navratilova needed three match points in the next game as Graf staved off two with an off-balance forehand winner...



Martina Navratilova had a trophy and a smile after her victory over Steffi Graf.

Steelers Defeat 49ers on Return of Fumble Recovery

PITTSBURGH — Rookie cornerback Peyton Hall put Pittsburgh in the lead Sunday with a 50-yard fumble recovery return and Mark Malone overcame a 9-of-33 passing performance to throw a 27-yard touchdown pass as the Steelers' offense stunned the San Francisco 49ers for a 30-17 National Football League victory...

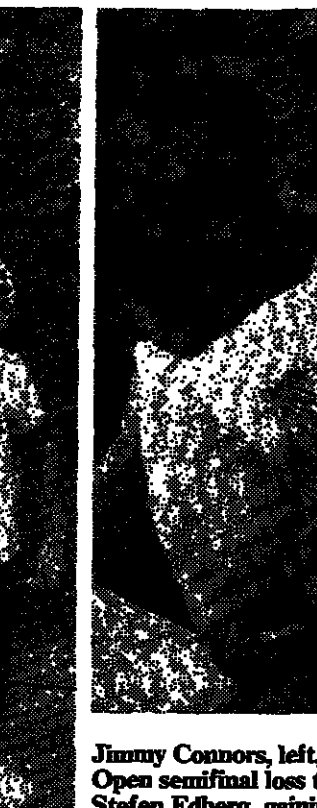
Palmer returned a kick 95 yards late in the fourth quarter to give the Chiefs the victory over San Diego. Palmer, the Chiefs' first-round draft choice, broke free behind a block by Paul Coffman and won a foot race down the right sideline with 3:19 left in the game...

Bengals 23, Colts 21: In Indianapolis, Boomer Esiason threw two touchdown passes in the first quarter and Jim Brock kicked a 20-yard field goal after a fight-marred fourth-quarter drive, helping Cincinnati to victory over the Colts. Brock's victory over an interception, his second of the game, with 1:03 remaining...

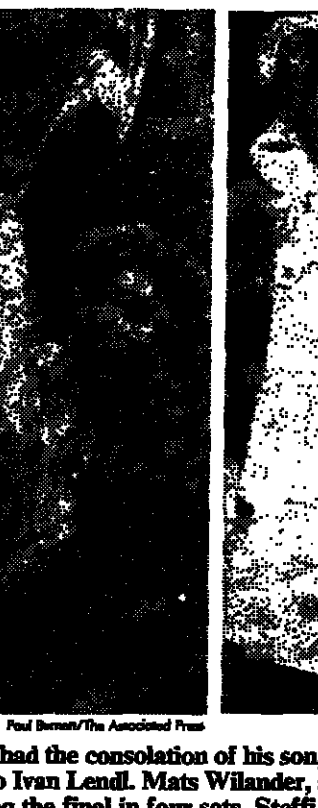
Cardinals 24, Cowboys 13: In St. Louis, Missouri, quarterback Neil Lomax hit Roy Green with two touchdown passes in the closing minutes and Earl Ferrell ran 14 yards for a third score, lifting the Cardinals past Dallas. Lomax's scoring strikes to Green covered 16 and 22 yards in a span of 65 seconds...



Jimmy Connors, left, had the consolation of his son, Bret, as he departed his U.S. Open semifinal loss to Ivan Lendl. Mats Wilander, above, had better luck against Stefan Edberg, gaining the final in four sets.



Mats Wilander, above, had better luck against Stefan Edberg, gaining the final in four sets.



Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.



Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.

Hot Wilander, Cool Lendl Gain Men's Final

By John Feinstein
Washington Post Service
NEW YORK — Mats Wilander did two things Saturday for the first time in his tennis career: he reached the final of the U.S. Open and he threw a temper tantrum...

hour to 10 A.M., because rain had been predicted for the afternoon. "I didn't think it was fair," he said. "I don't think you should play a Grand Slam semifinal at 10 in the morning. Stefan played (doubles) yesterday, we both played singles Thursday. The other two guys haven't played since Wednesday. They should have played first."

40-6, in the first game, his skill disappeared. By the time it returned, he was down, 4-0. "I just wasn't in the match at the beginning," said Edberg, who played almost four hours Friday while winning the doubles title with Anders Jarryd. "He came out playing really well and it took me a while to even get into the match. Then I started playing well. But he played very well. I don't feel that disappointed about losing because I just lost to a guy who was better today."

after saving four break points in a 10-deuce game. Edberg got the break back to 4-4, coming in on Wilander's second serve and finding his forehand to blast a winner down the line on break point. It looked like a new match, a five-setter. But Wilander broke right back, ripping a backhand cross-court, then watching Edberg punch a forehand volley deep.

SPORTS BRIEFS

Soviets Win Canada Cup Opener in Overtime, After Freak Goal Ties Score
MONTREAL (AP) — Aleksandr Semak's 30-foot shot at 5:33 of overtime gave the Soviet Union a 6-5 victory over Team Canada in the opening game of the best-of-three Canada Cup final...

Way Wins European Open; Randolph Leads in U.S.
WALTON HEATH, England (Combined Dispatches) — Paul Way of England, who hadn't had a victory in two years, shot five-under-par 67 Sunday to win the European Open golf tournament...

Campbell, Otter Win Grand Prix Track Titles
BRUSSELS (NYT) — One-hundredth of a second made up for two months of anguish for Tommie Campbell, whose victory Friday night over Greg Foster and six others in the 110-meter hurdles race of the Mobil Grand Prix finals gave him the overall circuit championship and the \$25,000 that goes with it...

4 Home Runs By 'Jays Send Yanks Reeling

Compiled by Our Staff From Dispatches
TORONTO — Ernie Whitt hit two home runs and drove in six runs Saturday, when the Toronto Blue Jays hit three consecutive homers in the eighth inning to defeat the New York Yankees, 13-1. The victory put the Blue Jays a game ahead of the Detroit Tigers in the American League East Division...



Canada's Brent Stetter dumped Vlashevsky Fetisov.

Canada's Brent Stetter Dumped Vlashevsky Fetisov

In Boston, Massachusetts, Sam Randolph, the 1985 U.S. Amateur champ, making his first PGA victory, swept past Les Trevino and Curtis Strange to a four-shot lead Saturday in the Bank of Boston Classic, then was declared the winner when Sunday's round was rained out...

For the Record
Sean Kelly of Ireland fell off his bike, cutting his face in several places, but finished 10th Saturday in the Tour of Catalonia and retained the overall leader's yellow jersey, as he did Sunday. Catalana and retained the overall leader's yellow jersey, as he did Sunday...



Mets Are First Down, And Then About Out

Darryl Strawberry, right, got a "low five" from Keith Hernandez after homering in the first inning of the series-opener against the Cardinals. But the Mets lost in the 10th inning, then were routed Saturday. Saturday night they learned that pitcher Ron Darling had torn ligaments in his hand and will be out the rest of the season...

San Francisco. Teammate Will Clark hit a two-run homer and Candy Maldonado hit a bases-empty homer. Braves 10, Dodgers 9: In Atlanta, Ken Griffey doubled in Dion James from second with one out in the home 10th to beat Los Angeles. Pirates 12, Phillies 4: In Philadelphia, Bobby Bonilla hit a three-run, first-inning homer and scored four times to help Pittsburgh win its sixth straight. (AP, UPI)

U.S. OPEN TENNIS OFFICIAL TIMER SEIKO



